

# AGENDA

## ASSEMBLY BUDGET SUBCOMMITTEE NO. 3 ON

## CLIMATE CRISIS, RESOURCES, ENERGY, AND TRANSPORTATION

ASSEMBLYMEMBER RICHARD BLOOM, CHAIR

WEDNESDAY, FEBRUARY 24, 2021

9:30 A.M. – STATE CAPITOL, ROOM 437

Due to the regional stay-at-home order and guidance on physical distancing, seating for this hearing will be very limited for press and for the public. All are encouraged to watch the hearing from its live stream on the Assembly's website at <https://www.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](mailto: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 37**

### NON-PRESENTATION CALENDAR

ITEM	DESCRIPTION	PAGE
<b>0555</b>	<b>CALIFORNIA ENVIRONMENTAL PROTECTION AGENCY</b>	<b>2</b>
ISSUE 1	CALIFORNIA ENVIRONMENTAL PROTECTION AGENCY BOND AND TECHNICAL ADJUSTMENTS	2
<b>3930</b>	<b>DEPARTMENT OF PESTICIDE REGULATION</b>	<b>6</b>
ISSUE 2	CHLORPYRIFOS QUARTERLY REPORTS (SB 86)	6
ISSUE 3	CALIFORNIA PESTICIDE ELECTRONIC SUBMISSION TRACKING (CALPEST) PROJECT	6
<b>3970</b>	<b>DEPARTMENT OF RESOURCES RECYCLING AND RECOVERY</b>	<b>7</b>
ISSUE 4	BEVERAGE CONTAINER RECYCLING PILOT PROJECT GRANTS	7
ISSUE 5	ORGANIC WASTE REDUCTION IMPLEMENTATION	7
ISSUE 6	PLASTIC BEVERAGE CONTAINER MINIMUM CONTENT STANDARD IMPLEMENTATION	8
<b>3960</b>	<b>DEPARTMENT OF TOXIC SUBSTANCES CONTROL</b>	<b>9</b>
ISSUE 7	BKK FACILITY: COORDINATED THIRD-PARTY ENFORCEMENT INITIATIVE	9
ISSUE 8	COST RECOVERY MANAGEMENT SYSTEM (CRMS) IT PROJECT	9
ISSUE 9	NATIONAL PRIORITIES LIST AND STATE ORPHAN SITES	10
<b>8570</b>	<b>DEPARTMENT OF FOOD AND AGRICULTURE</b>	<b>11</b>
ISSUE 10	BLYTHE BORDER PROTECTION STATION RELOCATION	11

ISSUE 11	EXTENSION OF ENCUMBRANCE AND LIQUIDATION DEADLINES FOR OFFICE OF ENVIRONMENTAL FARMING AND INNOVATION	11
ISSUE 12	TECHNICAL ASSISTANCE PROGRAM FOR UNDERSERVED FARMERS	11
ISSUE 13	NEEDLES BORDER PROTECTION STATION RELOCATION	13
ISSUE 14	PET LOVER'S SPECIALIZED LICENSE PLATE GRANT PROGRAM (SB 673)	13
ISSUE 15	PRODUCE SAFETY PROGRAM CONTINUATION FUNDING	13
ISSUE 16	TURLOCK NORTH VALLEY ANIMAL HEALTH LABORATORY REPLACEMENT	14

## ITEMS TO BE HEARD

ITEM	DESCRIPTION	PAGE
<b>0555</b>	<b>CALIFORNIA ENVIRONMENTAL PROTECTION AGENCY</b>	<b>15</b>
ISSUE 1	ENVIRONMENTAL JUSTICE SMALL GRANT PROGRAM	15
<b>3960</b>	<b>DEPARTMENT OF TOXIC SUBSTANCES CONTROL</b>	<b>17</b>
ISSUE 2	EXIDE: COST RECOVERY & RESIDENTIAL CLEANUP	17
ISSUE 3	GOVERNANCE AND FISCAL REFORM PACKAGE & GENERAL FUND BACKFILL	22
ISSUE 4	PROTECT VULNERABLE COMMUNITIES FROM TOXIC CHEMICALS	31
<b>3930</b>	<b>DEPARTMENT OF PESTICIDE REGULATION</b>	<b>35</b>
<b>8570</b>	<b>DEPARTMENT OF FOOD AND AGRICULTURE</b>	
ISSUE 5	TRANSITION TO SAFER, SUSTAINABLE PEST MANAGEMENT	35
<b>8570</b>	<b>DEPARTMENT OF FOOD AND AGRICULTURE</b>	<b>41</b>
ISSUE 6	CALIFORNIA FARM TO SCHOOL INCUBATOR GRANT PROGRAM	41
ISSUE 7	IMPACT ASSESSMENT AND ALIGNMENT OF REGULATORY REPORTING REQUIREMENTS FOR AGRICULTURE	42
ISSUE 8	FAIRGROUNDS OPERATIONAL SUPPORT AND DEFERRED MAINTENANCE	45
ISSUE 9	STATE WATER EFFICIENCY AND ENHANCEMENT PROGRAM	48

## NON-PRESENTATION ITEMS

### 0555 CALIFORNIA ENVIRONMENTAL PROTECTION AGENCY

#### ISSUE 1: CALIFORNIA ENVIRONMENTAL PROTECTION AGENCY BOND AND TECHNICAL ADJUSTMENTS

The Governor's budget requests for various bond appropriations, reappropriations, and reversions; technical adjustments; reappropriations; and baseline adjustments to continue implementation of previously authorized programs. The charts below provide additional details on each item:

#### BCPs and Technical Adjustments

Department	Title	Amount	Funds/Proposition	Comment
CARB	Position Authority Adjustment	\$-	N/A	CARB requests the conversion of 25.0 permanent/full-time positions currently in the Temporary Help Blanket, into Regular/Ongoing positions per Budget Letter 20-16.
CARB	Carl Moyer Program	\$ 153,318,000	Air Pollution Control Fund	CARB requests a one-time increase of \$153 million APCF in 2021-22 and \$36 million APCF ongoing to align local assistance expenditure authority for the Carl Moyer program with the revenues generated by new smog abatement fees established in 2017.
CARB	Reappropriation of Greenhouse Gas Reduction Funds	\$-	Greenhouse Gas Reduction Fund	CARB requests to reappropriate Greenhouse Gas Reduction Funds authorized by the Budget Act of 2019. The funds support various low carbon transportation programs, as well as FARMER and the Community Air Protection Program (AB 617).
CARB	Extensions of Liquidation for Various Low Carbon Transportation and Air Quality Programs	\$-	Greenhouse Gas Reduction Fund, Air Pollution Control Fund & Air Quality Improvement Fund	CARB requests to extend the liquidation period, until June 30, 2023, for various funds for low carbon transportation programs and the enhanced fleet modernization program authorized by the Budget Act of 2017. Additionally, CARB requests to extend the liquidation period, until June 30, 2024, for various low carbon transportation and air quality programs authorized by the Budget Act of 2018.
SWRCB	Expedited Claim Account Reappropriation	N/A	Expedited Claim Account	The Expedited Claim Account (ECA) was created by SB 445 (Hill) (Chapter 547, Statutes of 2014) and required the State

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

### Water Board Bond Adjustments

Department	Title	Program	Bond Fund	Request Description
SWRCB	Reappropriation	State Water Pollution Control Revolving Fund - Wastewater Treatment Projects	1	Estimating project executions and completions is a challenge. Weather, fires, permitting issues, delays in resolutions, or other unexpected events can result in project delays or projects coming in under budget.
SWRCB	Reappropriation	Water System Infrastructure Improvements - Safe Drinking Water Grant Program	1	Estimating project executions and completions is a challenge. Weather, fires, permitting issues, delays in resolutions, or other unexpected events can result in project delays or projects coming in under budget.
SWRCB	Reappropriation	Water Recycling - Grant Program	1	Estimating project executions and completions is a challenge. Weather, fires, permitting issues, delays in resolutions, or other unexpected events can result in project delays or projects coming in under budget.

SWRCB	Reappropriation	State Water Pollution Control Revolving Fund - Wastewater Treatment Projects	1	Estimating project executions and completions is a challenge. Weather, fires, permitting issues, delays in resolutions, or other unexpected events can result in project delays or projects coming in under budget.
SWRCB	Reappropriation	Water System Infrastructure Improvements - Safe Drinking Water Grant Program	1	Estimating project executions and completions is a challenge. Weather, fires, permitting issues, delays in resolutions, or other unexpected events can result in project delays or projects coming in under budget.
SWRCB	Reappropriation	Multibenefit Stormwater Management Projects	1	Estimating project executions and completions is a challenge. Weather, fires, permitting issues, delays in resolutions, or other unexpected events can result in project delays or projects coming in under budget.
SWRCB	Reappropriation	Water Recycling - Grant Program	1	Estimating project executions and completions is a challenge. Weather, fires, permitting issues, delays in resolutions, or other unexpected events can result in project delays or projects coming in under budget.
SWRCB	Local Assistance Reappropriation	Groundwater Sustainability	1	Local Assistance Reappropriation to support continued implementation of Groundwater Sustainability activities.
SWRCB	Local Assistance Appropriation	Water Recycling	13	To award grants to projects which produce, store, or deliver treated wastewater for beneficial use to offset or augment state fresh water supplies.
SWRCB	Local Assistance Reappropriation		40	Local Assistance Reappropriation to extend liquidation period.
SWRCB	Local Assistance Reappropriation	Clean Beaches – § 5096.650(c)(2)	40	Local Assistance Reappropriation to support continued program implementation.
SWRCB	Program Delivery Appropriation	Safe Drinking Water Standards - § 79530(a)(b)	50	Request for a new 2021-22 support appropriation from Prop 50 for Program Delivery to continue managing the workload of local assistance where there is new and ongoing bond activities.
SWRCB	Local Assistance Appropriation	Santa Monica Bay Restoration – § 79543, Ref. 1	50	To address monitoring needs for the Santa Monica Bay, evaluate emerging issues such as climate change, and evaluate the effectiveness of ongoing programs.
SWRCB	Reappropriation of the Local Assistance	Santa Monica Bay Restoration Commission – § 79543, Ref 1	50	Local Assistance Reappropriation to support continued program implementation.
SWRCB	Local Assistance Reversion	Safe Drinking Water Standards – § 79530(a)(b)	50	To support new program delivery appropriation request.

SWRCB	Local Assistance Reappropriation		50	Estimating project executions and completions is a challenge. Weather, fires, permitting issues, delays in resolutions, or other unexpected events can result in project delays or projects coming in under budget.
SWRCB	Program Delivery Reversion	San Joaquin River Hydrologic Unit	68	To prevent the program delivery allocation from being over committed and make it available for use in future fiscal years.
SWRCB	Local Assistance Reappropriation	Water Quality and Drinking Water Grants	68	Estimating project executions and completions is a challenge. Weather, fires, permitting issues, delays in resolutions, or other unexpected events can result in project delays or projects coming in under budget.
SWRCB	Local Assistance Reappropriation	San Joaquin River regional water supply grants	68	Estimating project executions and completions is a challenge. Weather, fires, permitting issues, delays in resolutions, or other unexpected events can result in project delays or projects coming in under budget.
SWRCB	Local Assistance Reappropriation	Competitive grants for treatment and remediation for groundwater contamination	68	Estimating project executions and completions is a challenge. Weather, fires, permitting issues, delays in resolutions, or other unexpected events can result in project delays or projects coming in under budget.
SWRCB	Local Assistance Reappropriation	Pure Water Program for City of San Diego	68	Estimating project executions and completions is a challenge. Weather, fires, permitting issues, delays in resolutions, or other unexpected events can result in project delays or projects coming in under budget.
SWRCB	Program Delivery Appropriation	Small Community Water Grants	84	Request for a new 2021-22 support appropriation from Prop 84 for Program Delivery to continue managing the workload of local assistance where there is new and ongoing bond activities.
SWRCB	Local Assistance Reversion	Santa Monica Bay Restoration Commission	84	Request to partially revert Item 3940-101-6051/15 up to (\$1,000).
SWRCB	Local Assistance Reversion	Emergency Safe Drinking Water Supply Program	84	Request to partially revert Item 3940-601-6051/08 up to (\$91,000).

---

**Staff Recommendation: Absent member questions or input from the public at this hearing, Staff recommends this item be considered for a vote-only calendar when the Committee takes action.**

---

**3930 DEPARTMENT OF PESTICIDE REGULATION**

---

**ISSUE 2: CHLORPYRIFOS QUARTERLY REPORTS (SB 86)**

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

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

---

**Staff Recommendation: Absent member questions or input from the public at this hearing, Staff recommends this item be considered for a vote-only calendar when the Committee takes action.**

---

**ISSUE 3: CALIFORNIA PESTICIDE ELECTRONIC SUBMISSION TRACKING (CALPEST) PROJECT**

The Governor's budget requests \$5 million Department of Pesticide Regulation Fund in 2021-22 to support the vendor procurement and initial analysis, design, and development of the California Pesticide Electronic Submission Tracking (CalPEST) project. CalPEST is a fully integrated information and document management system designed to substantially improve the current pesticide product registration process for pesticide product and device companies.

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

---

**Staff Recommendation: Absent member questions or input from the public at this hearing, Staff recommends this item be considered for a vote-only calendar when the Committee takes action.**

---

**3970 DEPARTMENT OF RESOURCES RECYCLING AND RECOVERY**

---

**ISSUE 4: BEVERAGE CONTAINER RECYCLING PILOT PROJECT GRANTS**

The Governor's budget requests \$5 million Beverage Container Recycling Fund (BCRF) in 2020-21 and \$5 million (BCRF) in 2021-22 to provide grants for the Beverage Container Recycling Pilot Project Program. This proposal also requests statutory changes to expand the pilot program by increasing the current limit of 5 pilots up to 10.

**LAO COMMENTS**

**Expansion Has Merit, But Scale of Request Not Adequately Justified.** The LAO finds that expanding the number of pilots could be valuable as way to explore a range of redemption models in different jurisdictions. However, in the LAO's view, the scale of the funding request is not adequately justified. The LAO also find that the administration has not provided a strong rationale for early action.

**Recommendations.** The LAO recommends the Legislature (1) reduce the amount of additional funding for pilot expansion to \$5 million, (2) provide funding as part of the 2021-22 budget, and (3) adopt trailer legislation requiring CalRecycle to report on pilot project outcomes.

---

**Staff Recommendation: Absent member questions or input from the public at this hearing, Staff recommends this item be considered for a vote-only calendar when the Committee takes action.**

---

**ISSUE 5: ORGANIC WASTE REDUCTION IMPLEMENTATION**

The Governor's budget requests five permanent, full-time positions and \$782,000 Cost of Implementation Account (COIA) in 2021-22, an additional four permanent, full-time positions and \$1.388 million COIA in 2022-23, and \$1.38 million COIA ongoing. This proposal also includes redirecting 38 positions from the Local Assistance and Market Development Branch to Waste Permitting, Compliance and Mitigation Division. The redirected and newly requested positions will focus on compliance and enforcement oversight to implement the regulations adopted by SB 1383 (Lara), Chapter 395, Statutes of 2016. Additionally, the proposal includes amends to Public Resources Code Section 41821(h) to reduce the frequency of jurisdiction inspections.

---

**Staff Recommendation: Absent member questions or input from the public at this hearing, Staff recommends this item be considered for a vote-only calendar when the Committee takes action.**

---

**ISSUE 6: PLASTIC BEVERAGE CONTAINER MINIMUM CONTENT STANDARD IMPLEMENTATION**

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

---

**Staff Recommendation: Absent member questions or input from the public at this hearing, Staff recommends this item be considered for a vote-only calendar when the Committee takes action.**

---

**3960 DEPARTMENT OF TOXIC SUBSTANCES CONTROL**

---

**ISSUE 7: BKK FACILITY: COORDINATED THIRD-PARTY ENFORCEMENT INITIATIVE**

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

**STAFF COMMENTS**

It is unclear why this proposal is linked to the governance and fee reform conversation, and yet the CRMS IT project is not. While this proposal is appropriately funded from TSCA, which is insolvent, not continuing with cost-recovery efforts can potentially cost the state even more.

---

**Staff Recommendation: Absent member questions or input from the public at this hearing, Staff recommends this item be considered for a vote-only calendar when the Committee takes action.**

---

**ISSUE 8: COST RECOVERY MANAGEMENT SYSTEM (CRMS) IT PROJECT**

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

---

**Staff Recommendation: Absent member questions or input from the public at this hearing, Staff recommends this item be considered for a vote-only calendar when the Committee takes action.**

---

**ISSUE 9: NATIONAL PRIORITIES LIST AND STATE ORPHAN SITES**

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

---

**Staff Recommendation: Absent member questions or input from the public at this hearing, Staff recommends this item be considered for a vote-only calendar when the Committee takes action.**

---

**8570 DEPARTMENT OF FOOD AND AGRICULTURE**

---

**ISSUE 10: BLYTHE BORDER PROTECTION STATION RELOCATION**

The Governor's budget requests \$3.981 million GF for an augmentation to the acquisition phase (\$1.869 million) and funding for the preliminary plans phase (\$2.112 million) of the Blythe Border Protection Station Relocation project located in Riverside County. This is a continuing capital outlay project and the total estimated project costs are \$63.595 million.

---

**Staff Recommendation: Absent member questions or input from the public at this hearing, Staff recommends this item be considered for a vote-only calendar when the Committee takes action.**

---

**ISSUE 11: EXTENSION OF ENCUMBRANCE AND LIQUIDATION DEADLINES FOR OFFICE OF ENVIRONMENTAL FARMING AND INNOVATION**

The Governor's budget requests an extension on the expenditure, encumbrance, and liquidation deadlines for several Climate Smart Agriculture programs and Pesticide Economic Analysis and Research Grant Program within CDFA's Office of Environmental Farming and Innovation (OEFI). The extension of the liquidation deadlines is requested to address the economic impacts of COVID-19 that have affected grant awardees' ability to purchase the required supplies and implement the incentivized management practices on farms and ranches in a timely manner, as well as scientific oversight that was delayed as a result of the pandemic.

---

**Staff Recommendation: Absent member questions or input from the public at this hearing, Staff recommends this item be considered for a vote-only calendar when the Committee takes action.**

---

**ISSUE 12: TECHNICAL ASSISTANCE PROGRAM FOR UNDERSERVED FARMERS**

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

The technical assistance program includes funding for a temporary Small Farm Specialist within CDFA and a contact with University of California Agriculture and Natural Resources to provide direct assistance to small, mid-sized, and socially disadvantaged and underserved farmers in seven regions around the state. The program will assist farmers with business planning, navigating regulatory compliance, and accessing state and federal funds to aid economic recovery.

**LAO COMMENTS**

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

**Key Details Remain Unclassified for Grant Programs.** The proposal does not clarify several pieces of information that would assist the Legislature in its evaluation.

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

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

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

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

---

**Staff Recommendation: Absent member questions or input from the public at this hearing, Staff recommends this item be considered for a vote-only calendar when the Committee takes action.**

---

**ISSUE 13: NEEDLES BORDER PROTECTION STATION RELOCATION**

The Governor's budget requests \$10.371 million GF one-time for the acquisition and preliminary plans phases of the Needles Border Protection Station Relocation project located in San Bernardino County. The station currently has inadequate capacity to meet increased traffic flows. This is a continuing capital outlay project, the total estimated project costs are \$74.299 million.

---

**Staff Recommendation: Absent member questions or input from the public at this hearing, Staff recommends this item be considered for a vote-only calendar when the Committee takes action.**

---

**ISSUE 14: PET LOVER'S SPECIALIZED LICENSE PLATE GRANT PROGRAM (SB 673)**

The Governor's budget requests \$650,000 Specialized License Plate Fund annually beginning in 2021-22 through 2023-24 to continue the Pet Lovers Specialized License Plate Program, which provides grants to qualifying spay and neuter facilities for low-cost or no-cost animal sterilization services. Of the amount requested, \$162,000 will fund the administrative costs of the program and \$488,000 will provide an estimated 14 grants to qualifying spay and neuter facilities. The Pet Lovers Specialized Licensed Plate Program was established in 2013 to provide grants to qualifying spay and neuter facilities for low-cost or no-cost animal sterilization services.

---

**Staff Recommendation: Absent member questions or input from the public at this hearing, Staff recommends this item be considered for a vote-only calendar when the Committee takes action.**

---

**ISSUE 15: PRODUCE SAFETY PROGRAM CONTINUATION FUNDING**

The Governor's budget requests \$8.665 million in Federal Funds authority in 2021-22 and \$8.428 million in Federal Funds authority in 2022-23 and \$7.922 million in 2023 and ongoing as well as 24 new positions to support the mission critical enhancement of the Produce Safety Program. The requested authority and positions are intended to allow CDFA to develop a more robust inspection program for the enforcement of the Food Safety Modernization Act, Public Safety Rule in California; develop an integrated, relational farm inventory database; and to further CDFA's efforts to reduce food-borne illness and support a safe food supply in accordance with CDFA's Strategic Plan.

---

**Staff Recommendation: Absent member questions or input from the public at this hearing, Staff recommends this item be considered for a vote-only calendar when the Committee takes action.**

---

**ISSUE 16: TURLOCK NORTH VALLEY ANIMAL HEALTH LABORATORY REPLACEMENT**

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

---

**Staff Recommendation: Absent member questions or input from the public at this hearing, Staff recommends this item be considered for a vote-only calendar when the Committee takes action.**

---

## ITEMS TO BE HEARD

### 0555 CALIFORNIA ENVIRONMENTAL PROTECTION AGENCY

---

#### ISSUE 1: ENVIRONMENTAL JUSTICE SMALL GRANT PROGRAM

The Governor's budget requests \$1.5 million Toxic Substances Control Account ongoing to support the Environmental Justice Small Grant Program. This proposal is contingent on the passage of the Department of Toxic Substances Control Governance and Fee Reform proposal, which will provide a sustainable funding source for the Toxic Substances Control Account.

#### PANEL

The following individuals will participate virtually in the discussion of this issue:

- Jared Blumenfeld, Secretary, California Environmental Protection Agency
- Lizzie Urie, Staff Finance Budget Analyst, Department of Finance
- Ross Brown, Principal Fiscal & Policy Analyst, Legislative Analyst's Office
- Brian Brown, Deputy Legislative Analyst, Legislative Analyst's Office (Q&A)
- Teresa Calvert, Program Budget Manager, Department of Finance (Q&A)
- Andrew March, Staff Finance Budget Analyst, Department of Finance (Q&A)

#### BACKGROUND

**Environmental Justice Small Grant Program.** The Environmental Justice Small Grant Program awards grants to assist eligible non-profit community organizations and federally recognized Tribal governments addressing environmental justice issues in areas disproportionately affected by pollution and health and environmental hazards.

**Toxic Substances Control Account (TSCA).** TSCA is a repository for revenues from cost recovery, penalties, interest, and the Environmental Fee. Revenues from the Environmental Fee constitutes 80 percent of TSCA with the rest making up the remaining 20 percent. The Environmental Fee was established in 1989 and is subject to an annual CPI adjustment. This account has a structural deficit.

#### STAFF COMMENTS

There are no concerns with funding the EJ Small Grant Program. The issue is with the fund source. Given that this grant program assists in community groups responding to issues beyond toxics and the structural deficit and the ongoing discussions over fee reform at the Department of Toxic Substances Control, it is unclear why the Administration would propose to use this account for the EJ Small Grants Program. The concern here is similar to those raised at the February 3<sup>rd</sup> hearing regarding the Administration's liberal use of the Environmental License

Plate Fund for tangentially related things. In this case, we have yet to increase the Environmental Fee and the Administration, through this proposal, is already announcing their desire to redirect money from TSCA for things they see fit and are beyond the purview of DTSC. While, the EJ Small Grant Program is a meritorious effort, there are many other programs at DTSC that are more appropriate for funding from TSCA. This proposal does not give us confidence that if the Legislature were to pass a two-thirds vote to increase the Environmental Fee that TSCA would be used judiciously.

Further, the EJ program targets numerous environmental harms, including air pollution, clean water, and others. In recognition of this range, a mix of special funds were used in the past to fund this program.

The Subcommittee may wish to ask the Administration what is their contingency plan for this proposal if the fee reform proposal does not come to fruition.

---

**Staff Recommendation: Funding this request exclusively with TSCA is inappropriate, staff recommends a more appropriate combination of fund sources or the General Fund.**

---

**3960 DEPARTMENT OF TOXIC SUBSTANCES CONTROL****ISSUE 2: EXIDE COST RECOVERY & RESIDENTIAL CLEANUP**

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

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

**PANEL**

The following individuals will participate virtually in the discussion of this issue:

- Meredith Williams, Director, Department of Toxic Substances Control
- Andrew March, Staff Finance Budget Analyst, Department of Finance
- Frank Jimenez, Fiscal & Policy Analyst, Legislative Analyst's Office
- Brian Brown, Deputy Legislative Analyst, Legislative Analyst's Office (Q&A)
- Teresa Calvert, Program Budget Manager, Department of Finance (Q&A)
- Grant Cope, Deputy Director, Department of Toxic Substances Control (Q&A)
- Francesca Negri, Chief Deputy Director, Department of Toxic Substances Control (Q&A)
- Su Patel, Assistant Deputy Director, Department of Toxic Substances Control (Q&A)

**BACKGROUND**

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

**Lead Contamination from Exide Operations.** Over the course of decades of operation, the facility polluted the soil beneath it with high levels of lead, arsenic, cadmium and other toxic metals. It also contaminated groundwater, released battery acid onto roads and contaminated homes and yards in surrounding communities with lead emissions. DTSC estimates properties

up to 1.7 miles away from the facility may potentially be affected by Exide's lead contamination, which amounts to roughly 10,000 properties. Tests show more than 7,500 properties exceed California's Human Health Screening Level for lead of 80 parts per million (ppm). Under California's conservative screening level, properties below 80 ppm are considered safe, while those with levels greater than 80 ppm require further evaluation.

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

In November, 2014, DTSC issued an enforcement order requiring Exide to provide financial assurances in the amount of \$38.6 million that will be used by DTSC to safely close the Vernon facility, if Exide is unable or unwilling to do so, and required Exide to establish a trust fund of \$9 million to cover the costs of cleaning up the 219 residential properties near the facility. On January 30, 2015, DTSC ordered Exide to investigate the extent of contamination under the containment building, so that Exide could implement any necessary corrective actions at the facility. In addition to facility closure activities, DTSC ordered Exide to conduct sampling at nearest residences to the north and south of the Exide Facility in the communities of Boyle Heights/East Los Angeles and Maywood.

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

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

**Residential Cleanup near Exide.** DTSC is the lead agency overseeing the investigation and cleanup of residential properties, schools, parks, daycare, and childcare centers within the approximately 1.7-mile radius of the former Exide facility. DTSC is working with communities within this proposed cleanup area, which includes the Cities of Bell, Commerce, Huntington

Park, Los Angeles (Boyle Heights neighborhood), Maywood, and Vernon, and the County of Los Angeles (East Los Angeles).

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

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

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

**Legislature has provided several rounds of funds for Exide cleanup.** In order to expedite the cleanup of contamination in the residential neighborhoods surrounding Exide to address the public health threat posed, the Legislature has provided the following funding for cleanup and enforcement activities:

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

Waste Control Account for a third-party quality contractor to monitor Exide cleanup activities.

- **Parkways Cleanup Funding (\$6.5 Million).** In 2018-19, the Legislature provided \$6.5 million (\$5 million General Fund and \$1.5 million California Environmental License Plate Fund) on a one-time basis to sample soil and clean up parkways in the communities around Exide.
- **Complete cleanup activities (\$24.5 Million).** In 2019-20, the Legislature approved a loan of \$24.5 million from the General Fund to the Toxic Substances Control Account to complete cleanup activities at residences, schools, parks, day care centers, and child care facilities near the Exide Technologies, Inc. lead-acid battery recycling facility in the City of Vernon.
- **Accelerate cleanup activities (\$50 Million).** In 2019-20, the Legislature approved a loan of \$50 million one-time General Fund to the Toxic Substances Control Account to accelerate the cleanup of additional properties within 1.7 miles of the Exide Technologies facility in Vernon.
- **Enforcement order oversight (\$1 Million).** In 2020-21, the Legislature approved \$1 million Lead Acid Battery Fund for the Exide 2014 Enforcement Order Program oversight.
- **Exide closure implementation (\$600,000).** In 2020-21, the Legislature approved \$600,000 Lead Acid Battery Fund for the Third-Party Quality Assurance Oversight Contract for Exide Closure Implementation.

**Exide Bankruptcy.** Exide filed its third bankruptcy petition on May 19, 2020, and following the federal bankruptcy court's approval on October 20, 2020, Exide's assets were liquidated. On October 26, 2020, Exide transferred title of the Vernon Plant to the trustee for the Exide Vernon Environmental Response Trust, a trust created pursuant to Exide's Fourth Amended Bankruptcy Plan. The trustee is required to implement closure activities and corrective action at the Vernon Plant, but the trustee has insufficient resources to complete these actions. DTSC has incurred and will continue to incur response costs related to its oversight and enforcement of these corrective action and closure activities, for which DTSC received \$1 million in 2020-21 and 2021-22.

#### STAFF COMMENTS

Since Exide's bankruptcy filing, DTSC has been working with the Attorney General's Office and outside counsel that specializes in bankruptcy. DTSC appealed the bankruptcy court's decision and is preparing for the appeal hearing. DTSC intends to continue to work with outside counsel in 2021-22 as the appeal process continues. Additionally, this fall, DTSC/Attorney General filed litigation against previous owners of the site for cleanup costs. Funding this request will enable the state to pursue cost recovery against Exide and other potentially responsible parties to hold them accountable for contamination from operations of the former Exide Facility, including contamination in communities surrounding the former Exide Facility. Holding these liable parties

accountable will also give the state the opportunity to recover taxpayer funds expended to clean up the contamination. Though this request does not include clean-up of all the remaining properties in the Preliminary Investigation Area. The Subcommittee may wish to ask DTSC:

- What is DTSC's current estimate on when the initial 3,200 properties will be cleaned?
- Should we expect a subsequent proposal asking for resources to cover the remaining properties? If so, when?
- The \$26.2 million in financial assurance for closure likely won't be enough to complete both phases of the Exide Closure. Should we anticipate for a request on this? What is DTSC's plan?

---

**Staff Recommendation: Hold Open.**

---

**ISSUE 3: GOVERNANCE AND FISCAL REFORM PACKAGE & GENERAL FUND BACKFILL**

The Governor's budget requests for the following:

- \$3 million one-time General Fund and 15 positions to establish the Board of Environmental Safety and Ombudsperson Office within the Department.
- Statutory changes to: (1) revise the Environmental Fee rates and the hazardous waste fee rates and structure; and, (2) authorize the Board to set future fee rates under a capped fee-setting authority, based on appropriations by the Legislature.
- \$22.5 million one-time General Fund backfill for the Hazardous Waste Control Account.
- \$13 million one-time General Fund backfill for the Toxic Substances Control Account.

**PANEL**

The following individuals will participate virtually in the discussion of this issue:

- Meredith Williams, Director, Department of Toxic Substances Control
- Andrew March, Staff Finance Budget Analyst, Department of Finance
- Frank Jimenez, Fiscal & Policy Analyst, Legislative Analyst's Office
- Brian Brown, Deputy Legislative Analyst, Legislative Analyst's Office (Q&A)
- Teresa Calvert, Program Budget Manager, Department of Finance (Q&A)
- Francesca Negri, Chief Deputy Director, Department of Toxic Substances Control (Q&A)
- Rick Brausch, Asst. Legislative Director, Department of Toxic Substances Control (Q&A)
- Ellen Moratti, Deputy Director, Department of Toxic Substances Control (Q&A)

**BACKGROUND**

**The Department of Toxic Substances Control (DTSC) has three major program areas.** DTSC is responsible for protecting public health and the environment by overseeing the state's response to releases of hazardous substances and disposal of hazardous waste. DTSC investigates, removes and remediates contamination as part of that mission. DTSC operations fall under three major program areas:

1. **Site Mitigation and Restoration Program.** This program is responsible for the cleanup and restoration of contaminated sites throughout the state; including legacy landfills (e.g., Stringfellow Acid Pits and the BKK Landfill), the Santa Susana Field Lab, military bases, former industrial properties, and school sites. It is funded primarily by the Toxic Substances Control Account.
2. **Hazardous Waste Management Program.** This program is responsible for several important DTSC functions. It issues permit decisions for proposed new hazardous waste facilities and the approximately 110 existing hazardous waste facilities in California that treat, store, and dispose of hazardous waste. The program's staff conducts inspections and takes enforcement actions to ensure compliance with hazardous waste laws and regulations. This program oversees the hazardous waste generator program. In addition, it provides hazardous waste management-related policy support, regulatory and statutory

interpretation, financial assurance, and data management support for internal and external stakeholders. The program also provides emergency response support for hazardous materials-related emergencies throughout California.

3. **Safer Consumers Products and Workplaces Program.** This program is responsible for reducing toxic chemicals in consumer products, creating new business opportunities in the emerging green chemistry industry, and helping consumers and businesses identify what chemicals are in the products they buy.

Through this program, DTSC identifies and prioritizes chemicals of concern in consumer products, evaluates alternatives, and specifies regulatory responses to reduce chemicals of concern in products.

**Funding sources for DTSC.** DTSC's funding comes primarily from the Hazardous Waste Control Account and the Toxic Substances Control Account. Each discussed in greater detail below:

- *Hazardous Waste Control Account (HWCA)* – HWCA is a repository for revenues from cost recovery activities and fees paid by various hazardous waste generators, transporters, and facilities. With the exception of the Activity Fee for Permitting, the rest of the fees were last amended in statute in 1998 or earlier. The fees collected and deposited into HWCA are:
  - Generator fee (constitutes 45 percent of HWCA)\*
  - Disposal fee (constitutes 10 percent of HWCA)\*
  - Facility fees (constitutes 9 percent of HWCA)\*
  - EPA ID Verification (constitutes 9 percent of HWCA)\*\*
  - Manifest fees (constitutes 4 percent of HWCA)\*\*
  - Transportable Treatment Unit fee\*\*\*
  - Cost recovery activities
  - Fee for service for Permitting

\*These fees are subject to an annual CPI adjustment and are collected by the California Department of Tax and Fee Administration.

\*\*These fees are not subject to an annual CPI adjustment and are collected by DTSC.

\*\*\*This fee is subject to an annual CPI adjustment and is collected by DTSC.
- *Toxic Substances Control Account (TSCA)* – TSCA is a repository for revenues from cost recovery, penalties, interest, and the Environmental Fee. Revenues from the Environmental Fee constitutes 80 percent of TSCA with the rest making up the remaining 20 percent. The Environmental Fee was established in 1989 and is assessed on most businesses in the state. The amount is set in statute and is based on the number of employees. The fee is subject to an annual CPI adjustment.

**Both HWCA and TSCA has been operating with a structural deficit.** Expenditures out of HWCA and TSCA has exceeded revenues for many years. HWCA became insolvent in fiscal year 2018-19 and TSCA became insolvent in fiscal year 2019-20. A number of factors contribute to the operating structural deficit in both accounts. They include increasing legislative mandates, an outdated fee structure that no longer corresponds to the proportion of waste generated or

disposed, increasing costs relating to the state obligated cost share for National Priority List sites, and a backlog of unresolved cost recovery worth approximately \$194 million at over 1,600 cleanup sites over a 25-year period.

**General fund backfills for both accounts.** The Budget Act of 2019 provided HWCA with \$27.5 million in General Fund to backfill the shortfall and maintain existing operations. The Budget Act of 2020-21 included \$12 million in General Fund for TSCA to backfill the shortfall and maintain existing operations. In the Governor's proposed budget for 2021-22, \$22.5 million in General Fund is proposed to backfill the Hazardous Waste Control Account and \$13 million in General Fund is proposed to backfill the Toxic Substances Control Account.

**In addition to its fiscal deficiencies, DTSC has been criticized for lack of transparency and ineffective implementation of its statutory mandates.** Specific incidents across California have exposed and continue to expose glaring failings in DTSC's implementation of its core programs, as well as its support programs. Such incidences include the mishandling of the hazardous waste facility permitting and enforcement of Exide and the Quemetco battery recycling facilities; delayed site remediation; failed public participation and transparency activities; and personnel issues have all led to decreased stakeholder confidence and public trust in DTSC's ability to meet its mandate to protect public health and the environment.

In August 2014, the State Auditor issued a report citing DTSC's neglected cost-recovery efforts. According to the audit, DTSC failed to collect an estimated \$194 million in cleanup costs from polluters since 1987, failed to send out nearly \$142 million in bills, and for the \$52 million in assessments the DTSC did mail, but never collected.

Furthermore, community groups that live near hazardous waste facilities are concerned that DTSC is not properly enforcing state and federal law and is allowing facilities that have numerous violations of state law and regulation, or have an expired permit, to continue to operate. Due to a growing backlog of applications to renew hazardous waste permits, many facilities are operating on "continued permits." These facilities operating on a continued permit are likely using outdated technologies, practices, and safeguards and are potentially releasing hazardous wastes into the environment.

Over the past five years the Department has sought to reduce the permit backlog for hazardous waste facilities. In 2014 the Legislature appropriated additional limited-term staff to help reduce the permit backlog, noting there were 24 continued permits. Despite those limited-term positions, as of January 2019, there were 29 continued operating permits – with 4 of those being expired for a decade or more.

Additionally, the regulated community is concerned about the length of time it takes DTSC to process a permit, with processing a permit extending years beyond the expiration date of their permit, which impacts the costs associated with processing a permit and causes business uncertainty.

**DTSC, the Administration, and the Legislature have all taken several actions aimed at restoring public confidence and to help DTSC better achieve its mandate.** Over the last five

years, the Legislature has conducted numerous hearings on DTSC's internal controls, its business practices, and its basic statutory obligations. In those hearings, the budget and policy committees have evaluated the following four main areas: (1) reviewing and monitoring the department's strategic plan and reorganization; (2) auditing cost recovery at the Department; (3) providing staffing to improve permit backlogs and business operations; and, (4) improving enforcement at the Department.

As a result of those hearings, statutory changes were made to clarify and strengthen the statute to help DTSC better achieve its mandates, and budget augmentations were made to give DTSC the resources to reduce backlogs and address outstanding programmatic failings. Efforts include increasing cost recovery from those responsible for hazardous waste contamination, reducing permitting backlogs, strengthening enforcement, and improving the financial sustainability of its operating funds.

However, many of the underlying concerns about transparency, accountability, and long-term stability of DTSC programs remain.

**DTSC's Internal Improvement Initiative.** In early 2012, DTSC launched its "Fixing the Foundation" initiative, which includes more than 30 different activities intended to improve its operations and restore public trust in the Department. Activities include increasing cost recovery from those responsible for hazardous waste contamination, reducing permitting backlogs, strengthening enforcement, and improving the financial sustainability of its operating funds. This effort includes multiple goals at every level of the organization, from staff engagement, to permitting backlogs and cost recovery.

In 2014, DTSC released its Permitting Enhancement Work Plan as a comprehensive roadmap to guide efforts to improve DTSC's ability to issue protective, timely and enforceable permits using more transparent standards and consistent procedures. In the 2014-15 Budget Act, DTSC requested and was granted 8 limited-term positions and \$1.2 million for reduction of backlogged permitting application review. As part of the 2015-16 Budget Act, DTSC requested, and received, an additional \$1.632 million and 16 limited-term positions for two years to address the permitting backlog. Though, as noted above, the permitting backlog is now longer than in 2015 and the limited-term positions have expired.

**Legislative reform efforts: AB 995 and AB 1 (C. Garcia).** At the end of the legislation session in 2019, Assemblymember Cristina Garcia, Bloom, and others introduced AB 995, which seeks to reform the Department as well as assess the appropriate fee structure needed to enable a functioning department. To accomplish these goals, AB 995 would have established a Board of Environmental Safety at DTSC and create a fee taskforce. The newly created Board would have been the policy setting body for DTSC, decide permit appeals and be the public interface for DTSC. One of the first tasks anticipated for this Board was for it to approve a statewide Hazardous Waste Management Plan.

AB 995 would also have created a fee taskforce to be led by the Secretary of CalEPA to conduct a comprehensive evaluation of DTSC's fee structure and identify a funding structure that provides sufficient resources for DTSC to carry out its statutory mandates.

Lastly, AB 995 would also make a number of statutory changes to deadlines and processes within the permitting program to ensure timely response by both the permit applicants and DTSC, and would make improvements to the Department's financial assurances requirements.

In recognition of the fiscal shortfalls of the HWCA, AB 995 would have restructured and raised HWCA fees by over \$20 million to cover the structural deficit and half of the additional costs incurred by the creation of the board and the requirement to approve a Hazardous Waste Management Plan.

AB 995 was passed by the Legislature in August 2020 but was vetoed by the Governor. The veto message cites the lack of fiscal reform in the bill to be the reason. Though it should be noted that AB 995 did contain fiscal reform for HWCA. In the beginning of the 2021-22 legislative session, Assemblymember Garcia et al. has reintroduced the bill as AB 1 and continues discussions with the Administration.

**DTSC conducts workload analysis to determine resources needs.** To support discussions on the activities DTSC should be performing to increase its protection of public health and the environment, DTSC analyzed resources for its core programs at a specific point in time (2018-19). The data include current staffing levels, available employee hours, and program deliverables, such as total number of permits issued, facilities investigated, and sites cleaned. The analysis also identifies areas where DTSC has made significant improvements in how it delivers its programs. The analysis provides transparency on how DTSC is using its current resources and where it is insufficiently resourced to deliver on its mission and statutory authorities. The analysis will also support discussion of the service levels DTSC should be providing to more equitably protect California's communities and the environment. The following activities were identified in the Executive Summary of the Workload Analysis as the highest priority activities that are under-resourced:

- Pollution Prevention
- Hazardous Waste Transporter Inspections and Oversight
- Permitted Facilities and Violation Scoring Procedures
- Enforcement
- Orphan Site Cleanup and Site Discovery

**The Administration again proposes a reform package intended to resolve DTSC's governance and fiscal problems.** The Administration proposed a reform package in 2020 to address DTSC's fiscal instability, transparency and governance issues. At the time, both budget committees deferred the discussion to AB 995 in the legislative process. With the veto of AB 995, the Administration again proposes a reform package. Each element of this proposal is discussed in further detail below:

- **Fiscal reform proposal.** The proposal would provide the newly created Board ongoing fee setting authority for HWCA and TSCA, subject to the annual appropriation by the Legislature.

- **HWCA.** The proposal also includes making structural changes to HWCA by eliminating the Manifest, US EPA ID, and Disposal Fees, and adjusting the Generator Fee to a price-per-ton model. The proposal is anticipated to include an adjustment to the proposed fee structure that aligns fee levels with the 2021-22 appropriations. In addition, the fee amounts anticipated to be reflected in the Trailer Bill Language for 2022-23 would produce revenues sufficient to address some level of resource gaps for services identified in the department's Workload Analysis. The amounts projected are estimates and must be proposed and approved in future budget requests for those or other services. Future Facility and Generator Fee rates would be set by the Board as described above and based on appropriations by the Legislature.
- **TSCA.** The proposal continues with the current Environmental Fee while providing capped fee-setting authority to the Board. The proposal includes an adjustment to the Environmental Fee to align with the 2021-22 expenditure authority appropriated by the Legislature. In addition, the fee amounts anticipated to be reflected in the Trailer Bill Language would produce revenues in 2022-23 to address some of the resources gaps for services identified in the department's Workload Analysis. The amounts projected are estimates and must be proposed and approved in future budget requests for those or other services. Future fee rates would be set by the Board As described above and based on appropriations by the Legislature. Expenditures included in the TSCA fee reset include federal Superfund cost-share requirements and costs for state orphan site cleanup project.

At the time this agenda was written, the trailer bill has not been released yet.

- **Board of Environmental Safety Proposal (Board).** The proposal envisions a five-member Board to provide strategic guidance for DTSC, enhance public transparency and accountability on DTSC processes. The proposed Board would have the authority to set and review fees, have the authority to hear permit appeals, and evaluates the operations of DTSC. The proposal also includes an independent ombudsperson for the Board. The ombudsperson would report to the chair of the proposed board to serve as an impartial resource to the public for the evaluation of suggested actions the Department should undertake.
- **General Fund transfers to maintain solvency in both accounts.** In addition to the aforementioned elements of the Administration's DTSC reform package, the Governor's proposed budget includes a \$13 million General Fund transfer into TSCA and \$22.5 million General Fund transfer into HWCA. Absent these transfers, both accounts would face a shortfall in fiscal year 2021-22.

#### LAO COMMENTS

Disclaimer: At the time of this writing, the Administration had not provided budget trailer legislation for the fiscal and governance reform package for the Department of Toxic Substances Control (DTSC). In the absence of these details, a full assessment of this package is not feasible. Despite the lack of details from the Administration, the LAO has reviewed the available

information and identified several key policy questions the Legislature could consider as it discusses the proposals at its initial budget hearings. The LAO anticipates producing a more detailed analysis after the Administration releases its draft trailer bill.

**Board of Environmental Safety.** The Governor proposes to establish a new oversight board for DTSC.

- Does the Proposed Board Provide the Legislature Adequate Oversight of DTSC? The Legislature will want to ensure that the structure of the proposed board allows the Legislature the ability to stay adequately informed about and able to help guide DTSC's progress in making needed improvements.
  - What role does the Legislature want to play in confirming the selection of board members?
  - What regular updates should the Legislature receive from the board about the Department's performance?

**Hazardous Waste Control Account (HWCA).** The Governor's proposal restructures and increases regulatory fees that support HWCA.

- Does the Proposed Fee Structure Align with Legislative Priorities? The Legislature will want to ensure that the Governor's proposed fee structure reflects an appropriate alignment between payers and polluters and will generate sufficient revenues for DTSC to meet its regulatory workload on an ongoing basis.
  - How well do the Governor's proposed reforms improve the alignment between fee levels and the amount of hazardous waste generated by fee payers? Are there alternative fee structures the Legislature would want to consider?
  - Is the proposed process for increasing the fee—approval by the board based on legislative appropriation levels—a reasonable approach to account for cost increases related to inflation or policy changes?

**Toxic Substances Control Account (TSCA).** Unlike with HWCA, the Governor does not propose changing the structure of the existing tax that supports TSCA, but rather only increasing the rate.

- Should the Tax Be Restructured, as Well as Increased? The Legislature will want to consider whether the current tax structure aligns with its near-term and long-term priorities for the fund.
  - How can the Legislature set tax levels to best align charges with the amount of hazardous waste contributed by businesses?
- What Programs and Activities Should TSCA Support? TSCA is largely supported by a broad-based tax that can fund a wide variety of department activities. Therefore, the size of the tax rate increase will be determined by an assessment of which activities the Legislature believes TSCA should support.
  - Does the Legislature want to add or expand activities to be supported by this fund in the next few years?
- How Should the TSCA Tax Rates Be Adjusted in Future Years? The Governor proposes to provide the Board of Environmental Safety with the authority to annually

set the tax that supports TSCA—an approach that is somewhat unique relative to other taxes. The Legislature will want to consider whether it is comfortable with this approach.

- Does the Legislature want to task the board with setting future tax rates or consider alternatives, such as establishing inflationary adjustments in statute?

#### STAFF COMMENTS

This proposal represents the Administration's second attempt at reform. The framework of this proposal is largely similar to the one proposed last year, which would have provided fee reform and established a Board of Environmental Safety.

The Administration's reform proposal from last year was released after the introduction of AB 995, C. Garcia, 2019). The two competing measures both sought to reform DTSC and increase transparency, though they had several differences, the key one being fee reform. The Administration's proposal included fee authority for the newly created Board at DTSC, while AB 995 would create a fee taskforce to inform fee reform decisions.

The Legislature, at that time, felt that the fee reform portion of the Administration's proposal beyond filling the existing structural shortfall was premature given the lack of clarity of the Department's funding needs beyond its existing budget without a workload analysis. The Administration had previously indicated that it was conducting a workload analysis that was originally anticipated to be completed in fall 2019. Due to this lack of information, the Legislature passed AB 995 which would have provided over \$20 million to cover the existing structural shortfall plus additional costs imposed by the reforms required by the bill. However, the Governor vetoed AB 995 because he desired greater fiscal reform.

The completed workload analysis was published at end of January 2021. The workload analysis, while illuminating in some areas, is lacking in others. For example, the workload analysis states that it has only included information on resource gaps that have been identified by the Administration as crucial to DTSC's mission and does not include all activities DTSC has the statutory or regulatory responsibility to perform. The gaps that are identified in this report are shocking. One can only assume that the other activities not included in the report have not been dedicated resources at all.

Further, while the Department has been clear that the workload analysis does not represent a request for resources, it clearly substantiates major staffing gaps in several program areas. It is unclear why this reform proposal does not include fixes to these known deficiencies at DTSC. By not addressing some of the more urgently needed gaps, under the Governor's proposal, these shortfalls would not be addressed for at least an additional year.

The Subcommittee may wish to ask the Administration the following:

- Can DTSC provide a list of the statutory activities not covered in the workload analysis?

- Can DTSC explain how it made the determination that certain statutorily required activities are not crucial to its mission?
- If these activities are not crucial to DTSC's mission, should they be removed from statute or given to another department?
- Why is the Administration only proposing to increase fees to address the existing deficit within TSCA and HWCA? This fee increase would only maintain the existing performance and staffing levels, which has been confirmed by the workload analysis to be woefully inadequate.
- How did DTSC determine the levels for the caps for the HWCA and DTSC?
- Has the Department considered adding new fees, such as a fee for the Safer Consumers Product Program?
- What is DTSC's contingency plan if this reform proposal is denied?

---

**Staff Recommendation: Hold Open.**

---

**ISSUE 4: PROTECT VULNERABLE COMMUNITIES FROM TOXIC CHEMICALS**

The Governor's budget requests \$300 million General Fund one-time to accelerate progress toward the cleanup of contaminated properties and the revitalization of environmental justice communities. This funding is contingent upon enactment of the Administration's governance and fiscal reform components discussed above.

**PANEL**

The following individuals will participate virtually in the discussion of this issue:

- Andrew March, Staff Finance Budget Analyst, Department of Finance
- Meredith Williams, Director, DTSC
- Frank Jimenez, Fiscal & Policy Analyst, Legislative Analyst's Office
- Brian Brown, Deputy Legislative Analyst, Legislative Analyst's Office (Q&A)
- Teresa Calvert, Program Budget Manager, Department of Finance (Q&A)
- Grant Cope, Deputy Director, DTSC (Q&A)
- Francesca Negri, Chief Deputy Director, DTSC (Q&A)

**BACKGROUND**

**Investigating and Cleaning up Brownfield Sites.** Brownfields are properties contaminated or suspected of being contaminated and are underutilized due to liability and other concerns. Many of these properties are in the urban core, near transit, and often in underserved communities already overburdened by pollution and with significant housing and economic needs. Cleaning up brownfield properties addresses health threats to communities, frees abandoned or underutilized land for productive reuse, and can spur community revitalization in ways consistent with our climate goals. Redevelopment of brownfields also takes development pressures off previously undeveloped property, thereby allowing for preservation of open space and agricultural land.

**Brownfield Grants to Leverage Resources that Revitalize Communities.** The State and DTSC realize the need for and the importance of leveraging resources for brownfield redevelopment. U.S. EPA estimates that, on average, each dollar of brownfield funding leverages \$20.13, and 10.3 jobs are leveraged per \$100,000 of U.S. EPA brownfields funds. DTSC will use brownfield grants to assist with addressing environmental investigations and cleanups at properties throughout California. DTSC's goal with these resources is to revitalize communities with significant housing needs by returning underutilized properties to productive reuses. To accomplish this, DTSC would prioritize partnerships with tribes, non-profit organizations, and local governments.

**Workforce Development.** DTSC would further enhance the community benefits of brownfield grants and orphan site cleanups by establishing a training and skills development program. This workforce development program would engage community members to gain skills in environmental remediation, health and safety, and support job placement for ongoing sampling

and cleanup work for people in their communities. Through establishing partnerships with local workforce development experts and community-based organizations, DTSC would leverage this critical opportunity to invest in people and promote.

DTSC anticipates focusing first on establishing the infrastructure to launch the accelerated site cleanup and brownfield grant programs by recruiting and filling positions in fall 2021. From this point throughout winter 2022, DTSC would identify and prioritize priority projects, implement contracts, and advertise workforce development opportunities. DTSC would also develop a grant program and its criteria. DTSC anticipates beginning cleanup of priority projects and awarding grants in spring 2022.

#### LAO COMMENTS

The Governor's budget includes \$300 million in one-time General Fund resources to support brownfield cleanups and investigations across the state. Of this amount, \$220 million would be for DTSC to investigate and clean up various projects where no financially viable responsible party can be found, \$76 million would be to establish a new competitive grant program to investigate and clean up brownfield sites, and \$4 million would be establish a new workforce development program.

The Administration has indicated that it views funding for this proposal as contingent upon the enactment of the Governor's governance and fiscal reform package.

- Which Intended Goal Is the Highest Priority for Funding? DTSC indicates that its proposal has two primary goals—(1) to investigate and clean up contaminated sites in “environmental justice communities” and (2) to develop these sites for future housing. The Legislature may want to identify a clear primary goal to ensure that funding is well-targeted and aligns with its highest priorities.
  - Does the Legislature believe addressing serious environmental contamination should take precedence over developing sites for new housing, or vice versa?
- How Would Department Coordinate to Ensure Housing Objectives Are Met? If the Legislature believes that an important goal for this funding is to spur housing development at brownfield sites, it will want to ensure that DTSC has developed an effective plan for achieving this goal.
  - How will DTSC coordinate with other state and local agencies to ensure that funding is targeted at sites where housing development is most feasible?
- How Will Grant Funding Complement and Support Other Proposals? The Legislature will want to consider how the proposed grants interact with other housing proposals in the Governor's budget. This proposal should complement and support other efforts and not create a complicated or duplicative program for departments and applicants.

- How does this proposal relate to funding in California Department of Housing and Community Development's budget for housing infrastructure, such as environmental remediation activities?
- Does Demonstrated Need Exist for Developing Remediation Workforce? In deciding whether to fund the workforce development component, the Legislature will want the department to show that sufficient justification for this effort exists.
  - Are there enough interested trainees to participate? Is there geographical alignment between where training programs would be developed and where workload would exist? Would there be enough ongoing jobs to employ trainees once they finish the program?

**STAFF COMMENTS**

According to the Department, the proposed \$300 million will allow DTSC to accelerate the cleanup of contaminated properties in disadvantaged communities, spur housing, and job creation. The Department intends to use the funding to investigate and clean up contaminated sites, establish a brownfield grant program to leverage resources to revitalize communities, and to create a job training program that provides people with career skills for current and future environmental jobs in site mitigation, particularly in vulnerable communities.

This appears to address many priorities of the Legislature, including environmental justice, job creation, and increasing housing stock. However, the potential benefits of this investment can only be realized if this effort is thoughtfully and successfully operationalized. At this juncture, however, there are still a lot of unknowns and questions as to how the Department would undertake such a large project. It is difficult to assess this proposal as there are a lot of missing details. This proposal was given a one page summary and included in the budget change proposal asking for reform.

This proposal comes at a time when the Legislature and the Administration is in the midst of discussing how to reform the Department. Further, the recent workload analysis reveals major service gaps in multiple program areas, not to mention the unfunded activities that were deemed not crucial to DTSC's mission. It is unclear why the Administration would put forth such a large proposal when there are so many existing unmet needs.

The Subcommittee may wish to ask the Department the following questions:

- Why is DTSC advancing such a large proposal alongside reform? Why not bring this forward after we have settled on the reform discussion?
- What is DTSC's plan for the \$300 million, including how the funds will be apportioned between site discovery, grants, clean-up actions, and the new job training program?
- How will the sites be selected and prioritized? Given that most of the cleanup sites are likely in communities suffering from with high cumulative environmental burdens, how will

DTSC prioritize sites among these environmental justice communities? Will the Cal EnviroScreen be used?

- Does the \$300 million include oversight cost for DTSC in the out years?
- Discovery and cleanup actions are multi-year endeavors –how is DTSC planning to pay for these out year costs?
- Would there be a future increase in the Environmental Fee to account for the out year costs of this proposal?
- How much of this \$300 million can DTSC reasonably spend in one fiscal year?
- The workload analysis shows that DTSC is actively working on 1,756 sites – should a portion of this requested \$300 million go to address this backlog instead?
- Does DTSC intend for this program to set the criteria for all state cleanup sites or is this intended to be a distinct program from the existing cleanup program?

---

**Staff Recommendation: Hold Open.**

---

**3930 DEPARTMENT OF PESTICIDE REGULATION**  
**8570 DEPARTMENT OF FOOD AND AGRICULTURE****ISSUE 5: TRANSITION TO SAFER, SUSTAINABLE PEST MANAGEMENT**

The Governor's budget requests \$28.5 million and 44 positions to support the state's transition to safer, sustainable pest management. Specifically:

- \$16.75 million (\$8.25 million GF and \$8.5 million DPR Fund) and 44 positions for the Department of Pesticide Regulation; and,
- \$11.75 million General Fund for the California Department of Food and Agriculture.
- Trailer bill language to replace the current flat-fee mill assessment on pesticide sales with a risk-based tiered mil assessment, where higher toxicity pesticides are assessed a higher fee. Once fully phased in by 2024-25, the tiered mill assessment is anticipated to generate approximately \$45 million in additional revenue annually to the DPR Fund. The additional revenue will fund various DPR and CDFA programs and will increase support to the County Agricultural Commissioners for local pesticide use enforcement activities to accelerate the state's transition away from harmful pesticides.

**PANEL**

The following individuals will participate virtually in the discussion of this issue:

- Lizzie Urie, Staff Finance Budget Analyst, Department of Finance
- Teresa Calvert, Program Budget Manager, Department of Finance
- Val Dolcini, Director, Department of Pesticide Regulation
- Karen Morrison, Assistant Director, Department of Pesticide Regulation
- Karen Ross, Secretary, Department of Food and Agriculture
- Jenny Lester Moffitt, Undersecretary, Department of Food and Agriculture
- Frank Jimenez, Fiscal & Policy Analyst, Legislative Analyst's Office
- Brian Brown, Deputy Legislative Analyst, Legislative Analyst's Office (Q&A)
- Sergio Aguilar, Principal Program Budget Analyst, Department of Finance (Q&A)
- Andrew Hull, Staff Finance Budget Analyst, Department of Finance (Q&A)

**BACKGROUND**

**Department of Pesticide Regulation's (DPR) mission.** DPR's mission is to protect human health and the environment by regulating pesticide sale and use and by fostering reduced-risk pest management. DPR currently supports its work through a flat-fee mill assessment.

**Pesticide Mill Assessment and the DPR Fund.** The mill assessment was established in 1971 to create an industry-funded structure that would support the activities of a pesticide regulatory program. A mill is 1/10 of one cent and is assessed on every dollar of pesticide sold in the state. The mill assessment was last increased in 2004 and is currently capped by statute at 21 mills

(\$0.021/dollar) on the sales of all registered pesticides, regardless of their toxicity. While DPR has several other funding sources, the mill assessment accounts for 80 percent of the DPR Fund revenues. Over the last several years, there has been significant growth in the scope of DPR's programs and activities without any comparable change in funding.

**Integrated Pest Management (IPM) Programs.** IPM is an ecosystem-based pest management strategy focused on prevention of pests or their damage through a combination of techniques such as biological control, habitat manipulation, modification of cultural practices, the use of resistant varieties of plants or materials and the judicious use of pesticides. Several agencies and institutions support this work, including DPR, CDFA, the University of California system, and the California State University system.

- DPR's IPM programs include community outreach, the Healthy Schools Act, the endangered species program, annual pesticide use report, and research and alliance grants.
- CDFA's IPM programs include the following grant programs: the Inter-Regional Research Project Number 4, the Proactive Integrated Pest Management Solutions, and the Biologically Integrated Farming Systems grants programs.
- The UC and CSU systems provide research, education, and extension to develop and extend innovative, science-based pest management for California commodities. These programs conduct field-trials of IPM, train pest control managers, and work with growers to implement the use of non-chemical pest control methods.

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

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

**The proposal.** The proposal seeks to replace the current flat-fee mill assessment on pesticide sales with a risk-based tiered mill assessment, where higher toxicity pesticides are assessed a higher fee. Once fully phased in by 2024-25, the tiered mill assessment is anticipated to generate approximately \$45 million in additional revenue annually to the DPR Fund. The tiered mill assessment is proposed to be based on a product's "signal word" as determined by the US Environmental Protection Agency and is proposed to be phased in over four years, using phased down GF to support during this transition. When the tiered mill is fully implemented, products without any signal word or a "Caution" signal word will be assessed 26 mills; products with a "Warning" signal word will be assessed 40 mills; and products with "Danger" and

“Poison/Danger” signal words will be assessed at 45 mills. The additional revenues are intended to fund the following efforts:

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

#### LAO COMMENTS

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

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

**Proposed Rates Not Large Enough to Send Strong Market Signal.** Upon full implementation, the proposal likely would widen price differences between the most toxic and least toxic pesticides by roughly 2 percent. The LAO have not found evidence that would support precise estimates of the market response to this price change. That said, the price difference is so small that even a proportionally strong market response would not have large effects on the mix of

pesticides used in the state. Discouraging the use of the most toxic types of pesticides likely would require much larger rate differences between tiers.

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

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

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

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

**Administration's Spending Proposals Leave DPR Fund With Diminished Reserves in 2021-22.** Despite additional revenues from the tiered mill assessment, the DPR Fund is estimated to end the budget year with \$842,000 in reserves—less than 1 percent of estimated revenues. While the proposal would begin building reserves starting in 2022-23, it leaves little flexibility in the budget year if revenues come in lower than expected or if there are unanticipated expenditure increases.

**Proposed Spending Requires Relatively Large General Fund Support Early On.** In contrast to the plan to phase in the tiered mill assessment, the administration proposes to fully implement

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

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

- **Potential Alternatives to Governor’s Proposal.** The figure below illustrates two alternatives in which the state ultimately would levy the same rates as the Administration proposes, but phased in faster. (As discussed below, the Legislature may explore a range of possible rate structures.) Under these alternatives, a one-year phase-in would implement the proposed rates immediately in 2021-22, while a two-year phase-in would increase the rates in roughly equal parts in 2021-22 and 2022-23.

<b>Fiscal Effects of Alternatives</b> (In Millions) <sup>a</sup>			
<b>Fiscal Year</b>	<b>New Mill Revenues</b>	<b>New Spending</b>	<b>General Fund Cost</b>
<b>Governor’s Proposal</b>			
2021-22	\$18	\$38	\$20
2022-23	28	38	17
2023-24	35	38	10
2024-25	45	38	—
<b>Alternative 1: One-Year Phase-In</b>			
2021-22	\$45	\$38	—
2022-23	45	38	—
2023-24	45	38	—
2024-25	45	38	—
<b>Alternative 2: Two-Year Phase-In</b>			
2021-22	\$23	\$18 <sup>b</sup>	—
2022-23	45	38	—
2023-24	45	38	—
2024-25	45	38	—

<sup>a</sup> All estimates assume no growth in pesticide sales from 2019-20 to 2024-25.  
<sup>b</sup> Reflects spending on programs that the Governor proposes to fund with the Department of Pesticide Regulation Fund in 2021-22.

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

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

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

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

#### STAFF COMMENTS

This proposal seeks to replace the current flat fee structure on pesticide sales with a new tiered system based on the level of toxicity in the product. Products with a higher level of toxicity are assessed a higher fee. According to the Department, this proposal is meant to support the state's transition to safer, sustainable pest management by establishing a price signal to incentivize the use of pesticides that do the least harm to people and environment. According to the Department, this proposal would generate an additional \$45 million for DPR and the increased funding would fund various programs at DPR and CDFA and will increase support to the County Agricultural Commissioners for local pesticide use enforcement activities to accelerate the state's transition away from harmful pesticides.

This Subcommittee has received both support and opposition from various groups. Proponents laud this proposal as visionary and commends the use of a tiered system in order to financially incentivize use of less toxic chemicals. Opponents however, argue that the proposal is over simplistic and will have unintended consequences on the market.

The Subcommittee may wish to ask the Department the following:

- The BCP indicates an estimated \$45 million in revenue as a result of this proposal. Does the Department anticipate this amount to decrease as the market shifts to using less toxic products?
- What are the estimated future revenue projections?
- Are the revenues generated by this proposal used solely for regulatory costs?
- Can the Department provide specific details on how it intends to allocate the anticipated \$45 million in revenue?

---

**Staff Recommendation: Hold Open.**

---

---

**8570 DEPARTMENT OF FOOD AND AGRICULTURE**

---

**ISSUE 6: CALIFORNIA FARM TO SCHOOL INCUBATOR GRANT PROGRAM**

The Governor's budget requests \$10 million GF in 2021-22 for the Office of Farm to Fork's California Farm to School Incubator Grant Program. The proposal includes Budget Bill language to make this funding available for encumbrance or expenditure for two years.

**PANEL**

The following individuals will participate virtually in the discussion of this issue:

- Andrew Hull, Staff Finance Budget Analyst, Department of Finance
- Karen Ross, Secretary, Department of Food and Agriculture
- Jenny Lester Moffitt, Undersecretary, Department of Food and Agriculture
- Frank Jimenez, Fiscal & Policy Analyst, Legislative Analyst's Office
- Brian Brown, Deputy Legislative Analyst, Legislative Analyst's Office (Q&A)
- Sergio Aguilar, Principal Program Budget Analyst, Department of Finance (Q&A)

**BACKGROUND**

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

**Prior funding.** The Budget Act of 2020 included \$8.5 million in one-time funding for grants and \$1.5 million in ongoing funding for six positions to provide baseline and expansion support for the California Farm to School Network.

**STAFF COMMENTS**

Continuing funding for the California Farm to School Incubator Program would allow CDFA to increase the amount of school districts engaged in the Farm to School programming. This will hopefully lead to increased adoption of farm to school practices, which ultimately lead to the improvement of the health and well-being of children who rely on school meals.

---

**Staff Recommendation: Hold Open.**

---

**ISSUE 7: IMPACT ASSESSMENT AND ALIGNMENT OF REGULATORY REPORTING REQUIREMENTS FOR AGRICULTURE**

The Governor's budget requests \$6 million GF one-time for regulatory alignment and efficiencies. Specifically:

- \$4 million to engage a consultant to evaluate and implement the alignment of regulatory reporting activities across state agencies to reduce unnecessary burdens to farmers and ranchers in their efforts to meet regulatory compliance.
- \$2 million to support a business assessment to explore the establishment of a unified licensing portal at CDFA.

**PANEL**

The following individuals will participate virtually in the discussion of this issue:

- Andrew Hull, Staff Finance Budget Analyst, Department of Finance
- Karen Ross, Secretary, Department of Food and Agriculture
- Jenny Lester Moffitt, Undersecretary, Department of Food and Agriculture
- Frank Jimenez, Fiscal & Policy Analyst, Legislative Analyst's Office
- Brian Brown, Deputy Legislative Analyst, Legislative Analyst's Office (Q&A)
- Sergio Aguilar, Principal Program Budget Analyst, Department of Finance (Q&A)

**BACKGROUND**

**COVID impacts on the agricultural industry.** California agriculture is a \$50 billion industry that generates at least \$100 billion in related economic activity. There are nearly 70,000 agricultural operations across the state that employ 481,000 workers. Over a third of the country's vegetables and two-thirds of the country's fruits and nuts are grown in the state. The COVID-19 pandemic has significantly impacted agricultural businesses throughout the state as supply chains were severely disrupted and costs to protect the safety of their workforce increased sharply.

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

**LAO COMMENTS**

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

- *CDFA Has Not Yet Provided a Compelling Justification for Assessment.* While an assessment could be reasonable, the department has not yet provided a clear explanation of the scope of the problem it intends to address. For example, CDFA has not provided our office with even an initial list of potentially duplicative reporting requirements that it intends to assess. Consequently, the LAO cannot be certain that there is a significant problem being experienced by the agricultural industry, or that providing additional funding for the assessment will be effective in creating long-term cost reductions or efficiencies.
- *No Compelling Rationale for Early Action.* It is unclear why expediting appropriations for the assessment of reporting requirements is essential for the department, given that no immediate improvements will be made in the near term. According to the department's time line, the assessment would take about 18 months to complete.

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

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

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

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

**STAFF COMMENTS**

Creating efficiency has merit. However, these benefits are largely gained by the agricultural sector. Would it be more appropriate to fund this proposal using money from the California Food and Agriculture Department Fund in lieu of the General Fund?

Also, a question arises as to the need for early action on appropriating \$4 million to conduct an assessment. According to the Department of Finance, the regulatory assessment is expected to be completed at the end of the 2022.

---

**Staff Recommendation: Hold Open.**

---

**ISSUE 8: FAIRGROUNDS OPERATIONAL SUPPORT AND DEFERRED MAINTENANCE**

The Governor's budget requests \$60 million GF one-time to provide fairground operational support and address fair deferred maintenance needs. Of this amount, \$50 million is for operational support of state affiliated fairs and an assessment of fairgrounds located on state-owned land to determine their potential for alternate use/development and \$10 million is to address deferred maintenance needs with a priority on fairgrounds that are used to support emergency operations.

**PANEL**

The following individuals will participate virtually in the discussion of this issue:

- Sergio Aguilar, Principal Program Budget Analyst, Department of Finance
- Karen Ross, Secretary, Department of Food and Agriculture
- Kevin Masuhara, Deputy Secretary, Department of Food and Agriculture
- Frank Jimenez, Fiscal & Policy Analyst, Legislative Analyst's Office
- Brian Brown, Deputy Legislative Analyst, Legislative Analyst's Office (Q&A)
- Andrew Hull, Staff Finance Budget Analyst, Department of Finance (Q&A)

**BACKGROUND**

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

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

**Deferred maintenance needs at fairgrounds.** The aging inventory of fairground infrastructure in California includes more than 3,000 buildings on over 6,000 acres at locations throughout California. A recent assessment estimates over \$176 million in deferred maintenance needs for fairgrounds.

**Fiscal woes at DAAs.** Budgets for the DAAs can run from several hundred thousand dollars to over ten million dollars. DAAs were historically subsidized by the state through a portion of horse racing revenues until 2009, when it was switched to the state general fund. In 2011, the General

Fund support was eliminated. Since then, the fairs have been in a perpetual state of fiscal emergency as they figure out a way to be self-sufficient. While some fairs are managing, many smaller fairs have been on the edge of economic crisis for a while.

Beginning in 2016, the budget has included approximately \$3.5 million in General Fund to assist small and medium sized fairs. The 2019-20 budget included the first allocation of funds from AB 1499 (Gray, 2017) which is generated from a percentage of the state sales tax revenue that come from activities on fairgrounds. The amount for fiscal year 2020-21 is just over \$18 million. CDFA will be adopting regulations later this year to govern the allocation of these funds.

**COVID devastation exacerbates DAAs' fiscal situation.** In 2020, the impact of the COVID-19 pandemic adversely affected the ability of fairgrounds to generate revenue. Due to COVID, fairs did not hold their annual fairs and lost revenues due other events and rentals. The Budget Act of 2020 appropriated \$40.3 million GF one-time to support state-affiliated fairs given the significant economic hardship due to the COVID-19 pandemic on fairgrounds. These funds were envisioned to support fairs with insufficient reserves to pay legally mandated costs that may be incurred during the state civil service layoff process.

During this time, fairgrounds served as a component of the state's emergency network, serving as base camps and shelter during fires, COVID-19 testing sites, and food bank distribution sites.

#### LAO COMMENTS

**Providing Operational Support Is Reasonable, but Amount Needed Is Uncertain.** Fairs largely have been unable to conduct their normal revenue-generating activities due to the COVID-19 pandemic. Given that revenues for the fairs are highly dependent on hosting large events, it is reasonable to provide operational support for ongoing costs, such as salaries for essential employees and related administrative costs.

- *Estimates Might Change as Pandemic Evolves.* The amount of funding requested by the department is based on financial projections of costs assuming that fairs will not be able to conduct normal operations in the budget year. While this is a possibility, there is still much uncertainty about when and under what conditions revenue-generating operations will be able to resume. For instance, the state might update its social distancing guidelines as more people are vaccinated, which might allow fairs to resume some of their normal operations during 2021-22.
- *Structure of Proposal Limits Legislative Oversight.* As currently structured, the proposal would not provide an opportunity for the Legislature to know how funding is ultimately distributed—particularly the need-based distribution which will be based on decisions that the administration will make throughout the year as additional financial information on the fairs becomes available. Having such information would provide the Legislature with additional opportunities for oversight of how the funding is being targeted.

**Funding for Deferred Maintenance Is Reasonable.** A recent department assessment of fairgrounds indicated that there is \$176 million in deferred maintenance needs across the state. Given the substantial need, it is reasonable to provide one-time funding of \$10 million to support deferred maintenance at fairgrounds. Spending on deferred maintenance could prevent the state

from paying even larger facility repair or replacement costs in the future. Moreover, prioritizing maintenance at fairs used to support emergency operations, such as during wildfires and COVID-19 testing, is reasonable to support public safety and public health functions.

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

**Delay Decision on Operational Support and Assessment Until May Revision.** Given the current uncertainty around the extent to which fairs will be able to conduct normal operations in the budget year, we recommend the Legislature withhold action on this item until after the May Revision. The Legislature could use additional information available at that time regarding the status of the pandemic and vaccinations to inform its decision on the appropriate amount of funding to provide.

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

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

<b>STAFF COMMENTS</b>
-----------------------

California is unique in that 53 of its 77 fairgrounds are state-affiliated fairs called District Agriculture Associations with civil service employees. The fairs are run by boards of directors appointed by the governor. The pandemic has prompted fairs to cancel revenue-generating events, further exacerbating the ongoing financial issues at fairgrounds. The California fairs were projected to lose roughly \$98 million in revenue between March and June, according to the state's 2020-21 budget summary.

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

---

**Staff Recommendation: Hold Open.**

---

**ISSUE 9: STATE WATER EFFICIENCY AND ENHANCEMENT PROGRAM**

The Governor's budget requests \$20 million GF in 2020-21 and \$20 million GF in 2021-22 to award, administer, and monitor State Water Efficiency and Enhancement Program grants with a focus on depleted groundwater basins. This proposal includes budget bill language to make the funding available for encumbrance or expenditure for two years.

Of this amount, up to five percent will be available for technical assistance pursuant to AB 2377 (Irwin, Chapter 868, Statutes of 2018). This technical assistance will be prioritized for socially disadvantaged farmers and ranchers, and to farms that are less than 500 acres.

**PANEL**

The following individuals will participate virtually in the discussion of this issue:

- Andrew Hull, Staff Finance Budget Analyst, Department of Finance
- Karen Ross, Secretary, Department of Food and Agriculture
- Amrith Gunasekara, Science Advisor, Department of Food and Agriculture
- Frank Jimenez, Fiscal & Policy Analyst, Legislative Analyst's Office
- Brian Brown, Deputy Legislative Analyst, Legislative Analyst's Office (Q&A)
- Sergio Aguilar, Principal Program Budget Analyst, Department of Finance (Q&A)

**BACKGROUND**

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

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

Since 2014, CDFA has appropriated a total of \$87.5 million to administer SWEEP grants and has funded over 800 projects impacting 135,000 acres. These projects have an estimated water savings of 1.15 million acre-feet and GHG emission reductions of 800.773 metric tons of carbon dioxide equivalent over 10 years.

#### LAO COMMENTS

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

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

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

#### STAFF COMMENTS

SWEEP is a successful program that provides incentives for irrigation system improvements that both reduce GHG emissions and save water. This one-time funding is intended to additionally address groundwater sustainability by focusing SWEEP on improving conditions in depleted groundwater basins.

---

**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 Susan Chan.