

AGENDA**ASSEMBLY BUDGET COMMITTEE NO. 3 RESOURCES AND TRANSPORTATION****ASSEMBLYMEMBER RICHARD BLOOM, CHAIR****WEDNESDAY, MARCH 30****9:00 A.M. - STATE CAPITOL, ROOM 447**

VOTE-ONLY CALENDAR		
ITEM	DESCRIPTION	
0555	CALIFORNIA ENVIRONMENTAL PROTECTION AGENCY	
ISSUE 1	CALIFORNIA ENVIRONMENTAL REPORT SYSTEM (CERS)	2
ISSUE 2	CALIFORNIA-MEXICO WATER RESOURCES IMPROVEMENT	2
3970	RESOURCES RECYCLING AND RECOVERY (CALRECYCLE)	
ISSUE 3	EXTENDED PRODUCER RESPONSIBILITY PROGRAM SUPERVISOR	4
ISSUE 4	INDEPENDENT HEARING OFFICER	4
3980	OFFICE OF ENVIRONMENTAL HEALTH HAZARD ASSESSMENT (OEHAA)	
ISSUE 5	PROPOSITION 65 – PERMANENT WORKLOAD	6
ISSUE 6	PROPOSITION 65 – LEGAL WORKLOAD	6
ISSUE 7	TURF CALRECYCLE PROJECT	6
3960	DEPARTMENT OF TOXIC SUBSTANCES CONTROL	
ISSUE 8	AB 276 ABILITY TO PAY: COST RECOVERY	8
ISSUE 9	ATTORNEY GENERAL INDEPENDENT REVIEW AND PANEL COSTS	8
ISSUE 10	BIOMONITORING CALIFORNIA	8
ISSUE 11	SB 162 TREATED WOOD WASTE	9
3930	DEPARTMENT OF PESTICIDE REGULATION	
ISSUE 12	AUGMENTATION OF THE FOOD SAFETY PROGRAM	10
ISSUE 13	REAPPROPRIATION OF PESTICIDE REGISTRATION DATA MANAGEMENT SYSTEM	10
8570	DEPARTMENT OF FOOD AND AGRICULTURE	
ISSUE 14	AVIAN INFLUENZA PREVENTION AND RESPONSE	11
ISSUE 15	PREVENTION OF ANIMAL HOMELESSNESS AND CRUELTY PROGRAM (AB 485)	11

ITEMS TO BE HEARD		
ITEM	DESCRIPTION	
3600	DEPARTMENT OF FISH & WILDLIFE	
3940	STATE WATER RESOURCES CONTROL BOARD	
8570	DEPARTMENT OF FOOD AND AGRICULTURE	
3930	DEPARTMENT OF PESTICIDE REGULATION	
ISSUE 1	IMPLEMENTATION OF MEDICAL MARIJUANA REGULATION & SAFETY ACT	12
0555	CALIFORNIA ENVIRONMENTAL PROTECTION AGENCY	
ISSUE 1	CYBER SECURITY WORKLOAD GROWTH	16
3970	DEPARTMENT OF RESOURCES RECYCLING AND RECOVERY	
ISSUE 1	BEVERAGE CONTAINER CITY/COUNTY PAYMENT PROGRAM ACCOUNTABILITY	18
ISSUE 2	EDUCATION AND THE ENVIRONMENT INITIATIVE	21
3960	DEPARTMENT OF TOXIC SUBSTANCES CONTROL	
ISSUE 1	INDEPENDENT REVIEW PANEL UPDATE	23
ISSUE 2	ENHANCE AND STREAMLINE PERMITTING	24
ISSUE 3	CALIFORNIA GREEN BUSINESS NETWORK	26
3930	DEPARTMENT OF PESTICIDE REGULATION	
ISSUE 1	CONTINUING THE AIR MONITORING NETWORK	28
ISSUE 2	MITIGATION OF PESTICIDE IMPACTS ON WORKERS	29
ISSUE 3	POLLINATOR PROTECTION RISK EVALUATION	30
3980	OFFICE OF ENVIRONMENTAL HEALTH HAZARD ASSESSMENT	
ISSUE 1	DRINKING WATER: STATEWIDE INDICATORS OF QUALITY, AFFORDABILITY AND ACCESSIBILITY	31
8570	DEPARTMENT OF FOOD AND AGRICULTURE	
ISSUE 1	CITRUS PEST AND DISEASE PREVENTION PROGRAM	32
ISSUE 2	USE OF ANTIMICROBIAL DRUGS ON LIVESTOCK (SB 27)	34
ISSUE 3	MARKET MATCH	35

VOTE-ONLY**0555 SECRETARY FOR CAL-EPA****VOTE-ONLY ISSUE 1: CALIFORNIA ENVIRONMENTAL REPORT SYSTEM**

The Governor's Budget requests \$127,000 for one permanent position to accommodate maintenance and operations workload for the California Environmental Report System (CERS). Workload needs for this position request have been provided through contractor resources for the previous 5 years, some which can be redirected to other EPA workload. Converting this operational need, from contracted resources to a state employee, aligns with California Department of General Services policy that states civil servants, as opposed to private companies, can satisfactorily perform application support services as demonstrated by existing CERS Senior Programmers.

Under Federal and State laws and regulations, Californian's health and safety is protected through the oversight of regulated business that report chemical and hazardous material/waste into CERS. Certified Unified Program Agencies (CUPAs) rely on CERS as a tool for regulating businesses that store, treat, and dispose of hazardous material and waste. Maintaining CERS at an appropriate level of support is essential for businesses, CUPAs, state and federal stakeholders to ensure the health and safety of Californians.

Contractor resources required to sustain operational needs of CERS has resulted in CalEPA incurring over \$1.2 million in vendor contract costs since October 2010. If a State Senior Programmer Analyst supports the ongoing workload needs, approximately \$93,000 can be saved per fiscal year, resulting in approximately \$465,000 of savings over 5 budget years.

VOTE-ONLY ISSUE 2 : CALIFORNIA-MEXICO WATER RESOURCES IMPROVEMENT

The Governor's Budget requests \$175,000 for one permanent position and \$50,000 one-time for contract funding to support the California-Mexico Border Relations Council (Council) and its expanded roles and responsibilities, including the requirement to establish the New River Water Quality, Public Health, and River Parkway Development Program, pursuant to AB 965 (E. Garcia), Chapter 668, Statutes of 2015. This proposal covers the anticipated increased workload within the Office of the Secretary, Border and Intergovernmental Relations section.

The focus of the position will be managing activities related to the California-Mexico Border Environmental Program and the California-Mexico Border Relations Council (Council) and its expanded scope of responsibilities pursuant to AB 965, in particular the establishment of the New River Water Quality, Public Health and River Parkway Development Program (Program). The Program will coordinate funding for, and the implementation of, recommendations from the New River Strategic Plan and the

projects identified pursuant to existing law. The position will also support the Solid Waste Working Group, including the group's development of recommendations, and the ongoing implementation of those recommendations.

More broadly, this position will work on the ongoing implementation and execution of CalEPA's responsibilities related to the border, including responsibilities related to the US Environmental Protection Agency's (U.S. EPA) Border 2020 Initiative; U.S. EPA grant programs; coordination with the Border Environmental Cooperative Commission (BECC) and North American Development Bank (NADBank); and the Border Governors' Conference-Sustainable Development Worktable.

Staff Recommendation: Approve as Budgeted Issues 1-2

3970 DEPARTMENT OF RESOURCES RECYCLING AND RECOVERY**VOTE-ONLY ISSUE 3: EXTENDED PRODUCER RESPONSIBILITY PROGRAM SUPERVISOR**

The Department of Resources Recycling and Recovery (CalRecycle) requests \$175,000 (Carpet, Paint, and Mattress funds) for one permanent supervisory position in the Statewide Technical and Analytical Resources (STAR) Branch to provide supervision for CalRecycle's Extended Producer Responsibility (EPR) programs and allow for reorganization of staff assigned to the three EPR programs into one EPR Unit.

CalRecycle currently oversees three EPR programs in the Statewide Technical and Analytical Resources (STAR) Branch: carpet, paint, and mattresses. Staff assigned to these programs are dispersed throughout the Branch in three different Units and two Sections. These programs have been enacted individually in statute at different times (2010, 2010, and 2013, respectively), so staffing has been added a program at a time and into multiple existing units so as to not overload any one unit with other work responsibilities. However, as the programs have been implemented, CalRecycle has found that review and evaluation, coordination with involved industries, and internal enforcement coordination has become more complex.

Having multiple supervisors and managers in STAR overseeing these programs is impractical and inefficient from an operational and policy perspective. The BCPs for these individual EPR programs did not include a supervisor because they only involved the addition of 1 to 2 positions, but with the continued growth of EPR programs at CalRecycle, there is now a need for a supervisor as well as a consolidation of all of the staff for the three existing EPR programs under a common supervisor to provide critical program oversight and consistent implementation.

VOTE-ONLY ISSUE 4 : INDEPENDENT HEARING OFFICER

The Governor's Budget proposes one permanent Attorney position and \$176,000 annually (Distributed Administration) to handle a significant increase in mandated Informal Hearings. This request has become necessary due to difficulties caused by an increasing number of hearings over the past few years and to make the legal separation between the Hearing Officer and the Department's Legal Office clearer and more distinct.

The Department administers a number of programs that allow for an appeal to the Director. These appeals range from revocations of tire facility permits and beverage container recycling certifications, to appeals of penalties for failure to comply with statutory and regulatory requirements. Currently, these appeals are delegated to and handled by attorneys within the Legal Office in addition to their normal assignments and because of an increase in the number of hearings in the past few years, these

additional assignments are taking these attorneys from their regular assignments, resulting in delays in completing those other assignments.

Staff Recommendation: Approve as Budgeted Issues 3-4

3980 OFFICE OF ENVIRONMENTAL HEALTH HAZARD ASSESSMENT**VOTE-ONLY ISSUE 5: Proposition 65-Permanent Workload**

The Governor's Budget requests four limited-term positions to be converted to permanent and \$114,000 in contracts for a total appropriation of \$646,000 (Drinking Water and Toxic Enforcement Fund). These resources will allow the Office of Environmental Health Hazard Assessment (OEHHA) to address the ongoing workload associated with the implementation of several new regulatory actions and to maintain the Proposition 65 website. This request is directly related to the budget proposal in 2014/15, which focused on improving the implementation of the Safe Drinking Water and Toxic Enforcement Act of 1986 (Proposition 65) via two specific regulatory proposals. Since that time, the scope of the regulatory actions needed has expanded significantly. This proposal will allow OEHHA to: update existing Proposition 65 regulations to address recent legal decisions; maintain the Proposition 65 website; and develop scientific content for inclusion on the new website for chemicals listed under Proposition 65.

This proposal requests funding from the State Drinking Water and Toxic Enforcement Fund (SDWTEF) contains revenues from Proposition 65 penalties paid by businesses that violate the requirements of Proposition 65, and is intended as a supplemental source of Proposition 65 program funding. The fund currently has a balance and can support the ongoing financial commitment.

VOTE-ONLY ISSUE 6: PROPOSITION 65 – LEGAL WORKLOAD

The Governor's Budget requests one Attorney position and \$138,000 (Safe Drinking Water and Toxic Enforcement Fund). This proposal covers the ongoing and projected increased workload of the Office of the Chief Counsel for legal review of responses to litigation-related Public Records Act (PRA) requests and discovery/litigation support to the Office of the Attorney General for defense of Proposition 65 related cases filed against OEHHA. This proposal would allow OEHHA to: provide litigation defense support to the Attorney General's Office on cases filed against OEHHA; record collection and review for litigation-related PRA requests and provide general legal support to OEHHA programs as required.

Like the previous issue, this proposal is funded by SDWTEF, which has sufficient funds to support this ongoing financial commitment.

VOTE-ONLY ISSUE 7: TURF CALRECYCLE PROJECT

The Governor proposes \$800,000 in reimbursement authority to carry out an Interagency Agreement (IAA) with CalRecycle to evaluate possible health hazards from synthetic athletic turf and playground mats. The evaluation, which is attracting national interest, has already started and OEHHA administratively established the positions to

begin the work. The IAA funds a study that requires OEHHA to determine chemicals that can be released from recycled tire material used in synthetic turf and playground mats. It requires OEHHA to study "new" or un-installed crumb rubber as well as collect air, wipe, and crumb rubber samples from synthetic fields in different climatic regions of California. The IAA also requires OEHHA to evaluate human exposure to the chemicals by studying activity patterns of players and children using these turf fields and mats and assess the associated potential health impacts.

CalRecycle will use the study to inform its future regulatory decisions regarding the use of waste tire materials in synthetic turf and playground mats.

Staff Recommendation: Approve as Budgeted Issues 5-7

3960 DEPARTMENT OF TOXIC SUBSTANCES CONTROL**VOTE-ONLY ISSUE 8: AB 276 ABILITY TO PAY: COST RECOVERY**

The Governor's Budget requests \$200,000 and two permanent positions (\$180,000 Toxic Substances Control Account and \$20,000 Hazardous Waste Control Account) to implement the expanded information request authority pursuant to AB 276 (Assembly Committee on Environmental Safety and Toxic Materials), Chapter 459, Statutes of 2015). AB 276 allows DTSC to require a potentially responsible party (PRP) to provide information regarding the party's ability to pay for a response action at a site where there has been, or may be, a release of hazardous waste, hazardous substances, or hazardous materials in the environment.

VOTE-ONLY ISSUE 9: ATTORNEY GENERAL INDEPENDENT REVIEW AND PANEL COSTS

The Governor's Budget requests an augmentation of \$50,000 in Fiscal Year (FY) 2016-17 (\$25,000 Toxic Substances Control Account and \$25,000 Hazardous Waste Control Account). The request also includes \$25,000 in FY 2017-18 split similarly between the two accounts. Funds will be used to reimburse the Attorney General for expenses associated with its support for the Independent Review Panel, which was established pursuant to Senate Bill 83 (Committee of Budget and Fiscal Review), Chapter 24, Statutes of 2015. The IRP is responsible for reviewing and making recommendations regarding improvements to the Department's permitting, enforcement, public outreach, and fiscal management. The IRP consists of three appointed members.

VOTE-ONLY ISSUE 10: BIOMONITORING

The Governor's Budget requests to extend for two additional years, two limited-term positions and \$350,000 (Toxic Substances Control Account) in the Biomonitoring California Program. These two positions will continue to analyze specific toxic chemical contaminants in biological samples from ongoing population-based investigations.

Biomonitoring California was established through SB 1379 (Perata and Ortiz), Chapter 599, Statutes of 2006. Biomonitoring California's principal mandates are to: (1) measure and report levels of specific environmental chemicals in blood and urine samples from a representative sample of Californians, (2) conduct community-based biomonitoring studies, and (3) help assess the effectiveness of public health and environmental programs in reducing chemical exposures. Biomonitoring provides unique information on the extent to which people are exposed to a variety of environmental chemicals and on how such exposures may be influenced by factors such as age, gender, ethnicity, diet, occupation, residential location, and use of specific consumer products.

VOTE-ONLY ISSUE 11: SB 162 TREATED WOOD WASTE

The Governor's Budget requests an augmentation (Hazardous Waste Control Account) of \$370,000 for two years to implement SB 162 (Galgiani), Chapter 351, Statutes of 2015, related to the management of treated wood waste. This proposal includes Trailer Bill language to extend the implementation period for an additional six months, to provide a full two years to implement SB 162's requirements.

SB 162 requires DTSC to conduct a comprehensive evaluation of treated wood waste handlers, their compliance with the requirements, and the effectiveness of the standards. It requires DTSC to inspect at least 25 percent of treated wood waste generators and treated wood waste disposal facilities in conducting its evaluation.

Staff Recommendation: Approve as Budgeted Issues 8-11

3930 DEPARTMENT OF PESTICIDE REGULATION

VOTE-ONLY ISSUE 12: AUGMENTATION OF THE FOOD SAFETY PROGRAM

The Governor's Budget requests additional resources to address workload issues associated with the Department of Pesticide Regulation's (DPR) Food Safety Program. DPR requests an appropriation of \$391,000 (\$313,000 Ongoing) from the DPR fund and three permanent Environmental Scientist positions and three vehicles. The requested positions will help ensure produce samples that test positive for illegal pesticide residues are identified and removed from the channels of trade.

New instrumentation used by the two CDFA Pesticide Residue laboratories has resulted in a much higher rate of pesticide residue detections. The ability to detect 100 additional compounds has more than doubled the number of illegal residues detections. When an illegal residue is detected, a "T-case" investigation is initiated that requires staff to track down and quarantine the commodity as well as trace down the source of the commodity. DPR traces the commodity to where it was grown and if it is grown in California, DPR, along with the County Agricultural Commission (CAC), will investigate to determine how the pesticide residue got on the commodity. If a commodity is imported from another State or country, DPR tracks down the commodity importer and takes enforcement action against the culpable party.

VOTE-ONLY ISSUE 13: REAPPROPRIATION OF PESTICIDE REGISTRATION DATA MANAGEMENT SYSTEM

The Governor's Budget requests a technical budget adjustment to the previously approved Pesticide Registration Data Management System (PRDMS) project to shift \$1,579,000 in project funding from fiscal year 2015-16 to 2016-17. The 2015-16 PRDMS Budget Change Proposal requested \$123,000 in software licensing and \$1,456,000 in software customization to be available in 2015-16, but changes to the IT Project Approval Lifecycle led to additional reviews of the project's requirements before any funding could be encumbered against the System Integrator contract, the main contract for the PRDMS project. There is no change to the total funding requested for the project.

Staff Recommendation: Approve as Budgeted Issue 12-13

8570 DEPARTMENT OF FOOD AND AGRICULTURE

VOTE-ONLY ISSUE 14: AVIAN INFLUENZA PREVENTION AND RESPONSE

The Governor's Budget requests one permanent position and \$192,000 (General Fund) in Fiscal Year (FY) 2016-17 and \$167,000 (General Fund) ongoing for the Animal Health Branch, in the Animal Health and Food Safety Services Division. The requested resources will address critical workload related to personnel safety, quarantine placement and movement control, disease prevention, detection and response posed by unprecedented Highly Pathogenic Avian Influenza. The resources will also provide staffing in geographic areas of high animal disease risk, specifically the coastal area north of San Francisco, which does not have emergency response veterinarian coverage.

VOTE-ONLY ISSUE 15: PREVENTION OF ANIMAL HOMELESSNESS AND CRUELTY PROGRAM (AB 485)

The Governor's Budget requests \$194,000 in Prevention of Animal Homelessness and Cruelty Fund authority to implement the provisions of AB 485 (Williams), Chapter 557, Statutes of 2015, which allows a taxpayer to designate that a specified amount in excess of their tax liability be transferred to the fund to be distributed via grants to eligible animal control agencies and shelters for the sole purpose of supporting spay and neuter activities that would result in the prevention and elimination of cat and dog cruelty and homelessness. The amount requested will be used to distribute the funding on a first-come, first-served basis to eligible recipients and fund administration activities for the grant program.

Staff Recommendation: Approve as Budgeted Issue 14-15

ITEMS TO BE HEARD

3600 DEPARTMENT OF FISH & WILDLIFE

3940 STATE WATER RESOURCES CONTROL BOARD

8570 DEPARTMENT OF FOOD AND AGRICULTURE

3930 DEPARTMENT OF PESTICIDE REGULATION

ISSUE 1: IMPLEMENTATION OF MEDICAL MARIJUANA REGULATION & SAFETY ACT

The 2016-17 Budget includes \$12.8 million (General Fund), \$10.6 million (Medical Marijuana Regulation and Safety Act Fund [MMRSAF]), \$1.2 million (other special funds), and 126 positions to implement the regulation of medical marijuana in California. Specific proposals in the resources area include:

- **Department of Food and Agriculture.** \$3.3 million MMRSAF (reimbursed from Department of Consumer Affairs) and 5.5 position in 2015-16 and \$3.4 million MMRSAF thereafter and 18 positions. Primary activities include:
 - *Regulate Cultivation of Medical Marijuana.* Establish new regulatory program to (1) license and establish fees for both indoor and outdoor cultivation, (2) establish a “seed-to-sale” program using unique identifiers to track the movement of medical marijuana products through the distribution chain, (3) perform an environmental impact report, and (4) work in consultation with DFW and SWRCB to develop environmental stewardship guidelines for growers. Activities to include (1) performing inspections of cultivators, (2) taking enforcement actions against cultivators as necessary, and (3) ensuring weighing or measuring devices used in connection with the sale or distribution of medical marijuana meet required standards.
- **Department of Pesticide Regulation.** \$700,000 (Pesticide Regulation Fund) and three positions. Primary activities include:
 - *Develop Guidelines for Safe Pesticide Use on Medical Marijuana* (\$420,000, 3 Positions). Develop guidelines for the use of pesticides in medical marijuana cultivation and for pesticide residue levels in harvested marijuana. Two staff toxicologists to conduct risk assessments—scientific reports requiring the review and analysis of technical data on pesticides—for people exposed to pesticides in marijuana cultivation and processing facilities, and for consumers who smoke or eat medical marijuana products. One position to coordinate with the United States Environmental Protection Agency (U.S. EPA) to register pesticides for use in medical marijuana cultivation using an approach outside the typical U.S. EPA registration process.

- *Develop and Distribute Educational Materials* (\$280,000). Contract with a vendor to assess current marijuana cultivation practices and develop safe pest management practices for medical marijuana. This information would be incorporated into pest management guidelines and other educational tools and materials to be used in outreach to growers.
- **Department of Fish and Wildlife.** \$7.7 million (General Fund) in 2016-17 and \$5.8 million (General Fund) thereafter and 31 positions. Primary Activities include:
 - *Expand Watershed Enforcement Program and Participate in Multiagency Task Force* (\$4.7 Million, 26 Positions). Perform specialized environmental investigations targeting legal and illegal marijuana cultivation sites. Team would include DFW law enforcement officers and environmental scientists, and work in collaboration with staff from other state and local agencies. Activities to include intelligence gathering and follow-up for legal actions and prosecutions, site-specific environmental assessments, and eradication and/or remediation of cultivation sites. Expands existing pilot program currently operating in seven counties—with an existing staff of 13—to cover entire state.
 - *Protect Instream Flows* (\$0.9 Million, 5 Positions). Research and identify amount of instream flows needed for fish spawning, migration, and rearing in areas where marijuana cultivation is occurring. Develop criteria and policies to ensure needed flows are maintained, including working with SWRCB staff to inform decisions on water rights registrations and permitting.
- **State Water Resources Control Board.** \$5.7 million (\$5.2 million General Fund and \$472,000 Waste Discharge Permit Fund) and 35 positions. Primary activities include:
 - *Protect and Enforce Water Quality and Participate in Multiagency Task Force* (\$1.8 Million, 13 Positions). Perform inspections and investigations of marijuana grow sites and develop evidence to support water quality enforcement actions. Engage in stakeholder outreach and coordinate with other federal, local, and state agencies (such as DFW) to develop and implement a permit system that would provide a pathway for medical marijuana cultivators to come into compliance with state regulations regarding water quality and supply. Expand existing pilot program currently operating in seven (primarily northern) counties—with an existing staff of 11—to cover more of the state.
 - *Protect Instream Flows* (\$3.9 Million, 22 Positions). Establish interim instream flow requirements to provide immediate protection of fishery resources. Work with DFW to develop criteria for regional instream flow policies until the longer and more in-depth process for setting ongoing instream flow requirements can be completed. Expand the registration

program and processing of water right registrations and applications for permits associated with medical marijuana cultivation.

BACKGROUND

Government estimates suggest California produces roughly 60 percent of the marijuana consumed in the U.S. Marijuana may be the state's largest cash crop, with some publications estimating its annual value at \$10-\$14 billion. Land is being converted for cannabis cultivation faster than ever before. Department of Fish and Wildlife biologists found that in the last five years, Northern California watersheds have seen marijuana acreage under cultivation increase by 55 to 100 percent. The individual and cumulative effects of cannabis cultivation on public and private lands threaten public safety, impact wildlife, pollute the land and streams, and destroy habitat.

Large scale cultivation of marijuana has proliferated in remote forested areas throughout California partly in response to Proposition 215, the Compassionate Use Act (1996), which legalizes the use of cultivation for medical purposes. However, nearly all of the marijuana cultivation is occurring without regard to other applicable laws and regulations. For example, some growers are illegally diverting water from drought-stricken watersheds in order to irrigate their crops. The Medical Marijuana Regulation and Safety Act (MMRSA), enacted in 2015, creates a regulatory framework for the licensing and enforcement of the cultivation, manufacture, transportation, storage, and distribution of medical marijuana in California.

LAO COMMENTS

The new state-level activities required by MMRSA are significant in both scope and complexity. Below, we highlight several potential challenges and uncertainties associated with implementing MMRSA, which could result in unforeseen problems in the future. As such, close monitoring over the status, pace, and effectiveness of MMRSA implementation will be an important task for the Legislature in the coming years.

- ✓ **Governor's Approach Appears Consistent With Legislation.** *Funds most initial startup activities required by legislation. Our review did not identify any major concerns or inconsistencies.*
- ✓ **Implementation Will Require Substantial Amount of Cross-Agency Coordination.** *The administration appears to be prioritizing communication and alignment of various efforts, but numerous activities will need to be coordinated across multiple departments. For example, at least three departments—CDFR, Department of Public Health, and DCA—will have to coordinate to develop regulations, licensing fee structures, and an IT system to track medical marijuana production from cultivation through distribution and sale.*

- ✓ **Implementation Will Require Substantial Amount of Coordination With Locals.** *The administration plans to actively engage with local governments, but aligning state and local policies and efforts will require ongoing communication and coordination. For example, DFW wardens will need to coordinate with local law enforcement and prosecutors to ensure investigations of cultivation sites are conducted safely, legally, and effectively.*
- ✓ **Ongoing Regulatory Costs Still Unclear.** *Amount of workload departments ultimately will experience depends on the many unknown factors, including the ultimate size of the regulated medical marijuana industry, the number of authorized dispensaries, and the scale of environmental impacts. Follow-up proposals are expected in the coming years, including for what could be a significant new IT project.*
- ✓ **Timely Implementation May Be a Challenge.** *Given scope of new responsibilities, departments may have difficulty promulgating regulations, developing fee structures, and crafting new policies and guidelines.*
- ✓ **Other Factors Could Change Landscape.** *The potential exists for factors outside of the Legislature's control to alter current plans for implementing MMRSA. For example, potential voter expansion of legalized marijuana use could change the regulatory role of the state, perhaps requiring additional resources or modified regulations. Alternatively, a change in federal drug policy could complicate the state's approach to overseeing medical marijuana production and use.*

STAFF COMMENTS

The Medical Marijuana Regulation and Safety Act established a new comprehensive licensing and regulatory scheme for medical marijuana that tasks the administering agencies with adopting regulations to address a multitude of complex issues. As the Legislature considers budget proposals to implement the Act, it is important to note that this is the first step in a multi-year process. The budget proposals primarily address initial regulatory activities needed for departments to begin implementing the Act.

Currently, there are a number of recreational marijuana initiatives attempting to qualify for the 2016 ballot. The Legislature may also want to keep in mind the scalability of the proposals should one of these initiatives qualify and pass in November.

Staff concurs with the LAO's analysis that the proposals are consistent with the legislation. Further, staff agrees that, given the scope and complexity of the new activities required by the act, the Subcommittee may wish to monitor MMRSA implementation in the coming years.

Staff Recommendation: Approve as Budgeted

0555 CALIFORNIA ENVIRONMENTAL PROTECTION AGENCY

The California Environmental Protection Agency's (CalEPA) budget is \$20 million, which represents a five percent increase from last year. The Agency's budget contains mostly special funds, with \$2 million of the proposed total funding coming from General Fund.

ISSUE 1: CYBER SECURITY WORKLOAD GROWTH

The Governor's Budget requests \$1.1 million in funding from multiple special funds, of which \$598,000 is for four permanent positions and \$475,000 for maintenance costs annually to accommodate workload growth associated with increased demands for securing CalEPA's integrity, and privacy of confidential information.

The requested funds would assist CalEPA and the boards, departments, and offices (BDO) meet increasing demand of two critical areas:

- *Information Security Program* - implementation and enforcement of State/Federal laws, policies and mandates associated with securing information technology assets such as SAM Chapter 5300 and the U.S. EPA's Cross-Media Electronic Reporting Rule; and
- *Cyber Security Management* - implementation of technologies, processes, and practices designed to protect networks, computers, programs, and data from attack, damage, or unauthorized access.

BACKGROUND

CalEPA and BDOs provide confidential information to employees of other state departments such as the Board of Equalization, California Department of Public Health, the Office of the Attorney General, local water and air districts, and Certified Unified Program Agencies (CUPAs). As the number of critical information technology assets for CalEPA and BDOs has increased over the years, CalEPA has not received an increase in the requisite information technology security support resources. The result is partial compliance of CalEPA systems with State and Federal information technology policies.

Risk to CalEPA and BDOs may also extend to lawsuits if information that industry considers intellectual property, confidential business information, and trade secrets are compromised. Security Incident response workloads have increased significantly across all of CalEPA. In June 2015, the FBI contacted the State Water Resources Control Board (Board) regarding six servers that may have been compromised by hackers from China. That investigation has revealed that a few of the systems in question by the FBI had known vulnerabilities that could have been leveraged to compromise the systems and gain access. However, CalEPA's internal investigation results are inconclusive, because of the lack of logging information on the servers.

STAFF COMMENTS

This proposal would assist CalEPA shift from reacting to security incidents to proactively managing risks. Further, funding this proposal would help bring CalEPA into compliance and implement required IT security policy and IT controls, as well as mitigate security risks. Risk mitigation limits breaches in which confidential, sensitive, and personal or trade secret information is exposed and/or misused. Consequently, this proposal could result in significant savings/avoided costs by reducing IT security risks and potential related litigation.

Staff Recommendation: Approve as Budgeted

3970 DEPARTMENT OF RESOURCES RECYCLING AND RECOVERY

The CalRecycle proposed budget is \$1.5 billion (various special funds), which represents a 15 percent decrease from last year. This decrease is primarily due to significant one-time expenditures - \$243 million - in the current year for fire debris removal and cleanup in areas affected by the Valley and Butte fires. The budget assumes that the department will receive federal reimbursement for most of these costs in the budget year. CalRecycle receives no General Fund.

ISSUE 1: BEVERAGE CONTAINER CITY/COUNTY PAYMENT PROGRAM ACCOUNTABILITY

The Governor's Budget proposes \$110,000 (Beverage Container Recycling Fund) and one position to provide programmatic and fiduciary oversight of CCPP expenditures by recipient agencies. Proposed activities include conducting outreach, providing training and technical assistance to participants, and reviewing participant reports.

LAO COMMENTS

The LAO provided the following detailed analysis and recommendation on this item.

Overview of Beverage Container Recycling Program. *The Division of Recycling within CalRecycle administers the BCRP, which is commonly referred to as the "bottle bill." The purpose of the BCRP is to be a self-funded program that encourages consumers to recycle beverage containers. The program accomplishes this goal by first requiring consumers to pay a deposit for each eligible container purchased. The department estimates that about \$1.3 billion in deposits will be paid in 2015–16 and deposited into the Beverage Container Recycling Fund (BCRF). Then the program guarantees consumers repayment of that deposit—the California Redemption Value, or "CRV"—for each eligible container returned to a certified recycler. Currently, the redemption rate is about 84 percent, resulting in \$1.1 billion in estimated current-year expenditures for CRV payments. When a container is not redeemed, the CRV deposit paid on it is retained by the state. The department estimates there will be \$207 million in unclaimed CRV in 2015–16. State law specifies how the unclaimed CRV money is spent, including specified allocations for several supplemental recycling-related programs (such as subsidizing glass and plastic recycling and encouraging supermarket recycling collection sites).*

BCRF Structural Deficit. *Over time, beverage container recycling rates have increased, which in turn has increased the program's expenditures for redemption payments. This has left less money available for the supplemental programs. As a result of the combination of a higher redemption rate and the continued cost of these supplemental programs, the BCRF has been operating with an annual structural deficit that has been covered by a substantial fund balance. The department's January 2016 quarterly report projects that annual*

structural deficits will average about \$75 million from 2015–16 to 2017–18 and that the fund balance will be depleted sometime after 2017–18.

Beverage Container CCPP. *One of the supplemental programs required in statute is the CCPP, which provides \$10.5 million annually to cities and counties. Allowable uses of these funds as defined in statute are broad, and local governments can spend them on any activity or program that is related to beverage container recycling or litter abatement. Payments are distributed to virtually all cities and counties proportionally based on each jurisdiction's population, with payments averaging \$20,000 per jurisdiction in 2013–14.*

In 2010, the California State Auditor (CSA) conducted an audit of the BCRP supplemental programs, including the CCPP. The CSA found that the department did not require any supporting documentation from cities and counties and concluded that there was minimal assurance that the grant funds were spent only for recycling and litter cleanup activities as required by statute. The auditor recommended that the department implement policies to ensure that cities and counties spend grant funds for recycling purposes by requiring periodic reporting of expenses. In response, CalRecycle conducted a random sampling of 60 program participants and required them to submit an expenditure report for 2010–11 payments. The department's review of the reports revealed several problems, including misreported expenditures, expenditures that did not match the original funding requests, ineligible expenditures, and incorrect reporting.

LAO Assessment. *While the administration's proposal is a reasonable way to address the financial oversight issues identified by CSA, we have more fundamental concerns regarding the effectiveness of the program that the proposal does not address. We note that the administration raised similar concerns when it proposed eliminating the program as part of the 2014–15 budget.*

Program Structure Is Problematic. *The structure of the CCPP is unlikely to result in the most cost-effective recycling or litter reduction activities. There is no relationship between the allocation of program funds and the expected outcomes of a recipient's activities. This is because CCPP payments are calculated based on a jurisdiction's population rather than performance criteria that indicate its potential success at implementing recycling programs. Unlike other fund allocation methods, such as competitive grants, ineffective programs are just as likely to be funded under the CCPP as effective ones. Therefore, the mix of activities supported by CCPP payments is unlikely to be the most cost-effective one. We note that another supplemental program provides competitive grants to local governments for recycling or litter abatement.*

Program Effectiveness Unclear. *Despite the problematic structure of the program, there are no efforts currently in place to determine if the program is effective at meeting BCRP goals. The CCPP lacks any outcome metrics that*

could indicate the success of the program, which compounds the program's structural problems. While we acknowledge that the department is seeking resources to improve program oversight and accountability, the additional activities proposed in the budget will not measure program effectiveness.

LAO Recommendation. Eliminate the CCPP. We recommend that the Legislature eliminate the CCPP given the concerns with the structure of its funding allocation and the lack of information on its effectiveness. Eliminating the program would also provide \$10.5 million in savings to the BCRF, which would reduce the structural deficit by 14 percent based on the department's most recent quarterly report.

STAFF COMMENTS

The LAO's analysis is persuasive. However, the elimination of the CCPP should not be considered in isolation, but rather in a broader context of BCRF reform. In the past two years, the Administration has taken a number of steps to ease the pressure on the Fund, such as focusing on efforts to reduce fraud and increasing program integrity and oversight activities. At this point, it appears that the Department has produced as much reform and reduced expenditures as it can without legislative change.

As noted above, the most recent quarterly report projects the fund balance fall below the prudent cash reserve sometime in 2017–18. The Subcommittee may wish to ask the Administration to discuss its plans to address broader reform of the BCRP.

Staff Recommendation: Hold Open

ISSUE 2: EDUCATION AND THE ENVIRONMENT INITIATIVE

The Governor requests \$700,000 in one-time funding to develop a sustainable funding strategy for the Education and the Environment Initiative (EEI) program and address increased demand for the EEI Curriculum. This proposal also includes Budget Bill Language (BBL) providing additional flexibility to the Environmental Education Account.

BACKGROUND

AB 1548 (Pavley), Chapter 665, Statutes of 2003, created the Office of Education and the Environment (OEE), within the former California Integrated Waste Management Board, and directed it to work in collaboration with the California Department of Education (CDE), the California Environmental Protection Agency, and the Natural Resources Agency, to develop a "model" environmental curriculum, known as the Education and Environment Initiative (EEI), for K-12 students. The intent of the law, as reiterated in SB 96 (Committee on Budget and Fiscal Review), Chapter 356, Statutes of 2013, was to provide that California students become environmentally literate citizens. Between 2003 and 2009, OEE oversaw the creation of the EEI Curriculum. In 2009, the State Board of Education approved the Curriculum for use in all California public schools. The Curriculum combines fundamental environmental principles and concepts with the traditional subject matter of science, history – social science, and English language arts. Statewide, the target audience is more than 150,000 teachers spread over 10,000 schools.

Since 2013, private sector philanthropists have shown their commitment to environmental literacy by contributing \$2.6 million to assist OEE in fulfilling its mission of implementing the EEI Curriculum and advance other state supported environmental literacy initiatives. The EEI Curriculum was designed as a print product and relies on three things for teachers to use it in their classrooms: marketing and awareness, professional learning of teachers, and distribution of printed materials. Philanthropists are looking to the state to provide the basic infrastructure of printing the materials for teachers to use in their classrooms, while they continue to contribute to the other two areas, as well as to larger state environmental literacy initiatives.

STAFF COMMENTS

Teacher demand for the state-created, EEI curriculum has expanded and this proposal would help CalRecycle facilitate use of the curriculum and foster environmental literacy among all California students. The Governor's budget proposes an expenditure of \$700,000 to pay for the printing costs of the EEI Curriculum for the 2016-2017 school year. However, this amount is \$780,000 short of the cost needed for printing to fulfill teacher demands for the Curriculum. If the state does not provide adequate funding for the printing of these materials, concern has been raised that this could result in stagnation of the state's flagship environmental literacy program. It is important to note that this level of funding (or more) will be needed for the next 3.5 years, which is the estimated time it will take to adopt the required environmental principals and concepts into textbooks. The Subcommittee may wish to ask the Department about these concerns.

Staff Recommendation: Hold Open

3960 DEPARTMENT OF TOXIC SUBSTANCES CONTROL

The Department of Toxic Substances Control's budget is \$217 million, which represents a five percent decrease from last year. Most of the Department's budget is comprised of special funds, with \$29 million of the proposed total funding coming from General Fund.

ISSUE 1: INDEPENDENT REVIEW PANEL UPDATE

The Independent Review Panel (IRP) was established within the DTSC pursuant to SB 83 (Chapter 24, Statutes of 2015). The IRP is comprised of three members: an appointee of the Assembly Speaker with scientific experience related to toxic materials, an appointee of the Senate Committee on Rules who is a community representative, and an appointee of the Governor who is a local government management expert. The current IRP members are: Dr. Arezoo Campbell (scientist with experience related to toxic materials), Gideon Kracov, JD (community representative), and Mike Vizzier (local government management expert). The panel members are tasked with reviewing and making recommendations regarding improvements to DTSC's permitting, enforcement, public outreach, and fiscal management. The IRP also may make recommendations for other DTSC programs, may advise DTSC on its reporting obligations, and is required to advise DTSC on compliance with the mandate to institute quality government programs to achieve increased levels of environmental protection and public satisfaction.

BACKGROUND

On January 28, 2016, the IRP released its first report to the Legislature summarizing recommendations and data requests to DTSC in areas including: budget, permitting, enforcement, public outreach, and fiscal management. The report included the following recommendations:

- Fiscal Management. The IRP discusses DTSC's efforts, in response to a 2013 State Audit that found a lack of due diligence on cost recovery, efforts to implement cost recovery changes to recoup its costs. The IRP is recommending that DTSC report in its biennial report documentation of compliance with all goals and objectives.
- Permitting. The report highlights DTSC's permitting backlog and recommends that DTSC require adequate financial assurances be set aside for corrective action for existing hazardous waste releases and that DTSC obtain full cost recovery connected with its Hazardous Waste Facility Permit decisions. The IRP is requesting data from DTSC that includes a list of existing financial assurances for every hazardous waste facility permit site, and a list of all hazardous waste facility permittees that fall under AB 1075's (Chapter 460, Statutes of 2015) violation categories.
- Public Outreach. The IRP recognizes that Public Participation is a cornerstone of DTSC's work, and that DTSC has a budget of \$1.5 million for 22 PY for DTSC's

public participation program. The IRP recommends making categories of information available on one tab on the DTSC website to make it more user-friendly, and to review decisions made during the past five years by two staff members who were discovered to have sent offensive emails.

STAFF COMMENTS

Statute requires the IRP to report to the Governor and the Legislature every 90 days. The January report was the IRP's first report, and while the IRP's efforts are just beginning, the IRP believes that this initial Report is a good framework for its work, in compliance with Senate Bill 83. As such, we can expect future reports to expound on the issues and recommendations raised in this report, and include additional, more detailed reviews of the DTSC's performance and backlogs, additional recommendations, and follow-up on the recommendations and data requests that are made in this initial Report.

Staff Recommendation: Informational Item

ISSUE 2: ENHANCE AND STREAMLINE PERMITTING

The Governor proposes an increase of \$1.2 million (Hazardous Waste Control Account) to make permanent eight limited-term positions that are set to expire at the end of the current year. These positions were previously provided to address a hazardous waste permit renewal backlog, as well as to update cost estimates associated with closing hazardous waste facilities.

BACKGROUND

The DTSC issues hazardous waste facility permits to facilities that manage waste that is toxic, corrosive, reactive, and ignitable. When DTSC issues hazardous waste facility permits it establishes conditions that the facility must meet in addition to the applicable laws and regulations for the management of public waste. There are 119 facilities permitted to manage hazardous waste in California (91 operating facilities and 28 post-closure facilities) with a total of 132 permits. Facility permits are issued for 10-year terms, and facilities are required to apply for renewal six months prior to a permit's expiration. If the permit renewal application is submitted on time, the facility may continue to operate under an expired permit, known as a "continued" permit. As well as permit renewal applications, DTSC makes decisions on applications for new permits and permit modifications. The DTSC's goal is to make decisions on 90 percent of permit applications within an average of two years. Towards achieving this goal, DTSC developed and is implementing the Permitting Enhancement Work Plan to create and update processes, guidance, and tools to support consistent processing of permit applications and more timely permit decisions.

There are currently 37 facilities operating under continued permits that are under review by DTSC. In addition to these 37 permits, DTSC anticipates that it will receive 57 permit applications over four years beginning in 2015-16 - the number of applications per year is expected to vary between 10 and 16.

In 2014-15 the Legislature approved eight two-year limited term positions to address a backlog of 24 hazardous waste facility permits. The department made decisions on 5 of the backlogged permits in 2014-15 and plans to make 12 more decisions in 2015-16 and 7 more decisions in 2016-17. According to the department, these eight limited-term positions combined with other departmental resources allow it to make decisions on about 8 permits per year in the future.

LAO COMMENTS

Based upon our own projections and DTSC's projections, the department will continue to have an ongoing backlog of permit applications even if the resources requested in the Governor's proposal are approved. The department projects it would need to make decisions on an average of 16 permit applications per year—instead of its estimated average of 8 per year - in order to make timely decisions on renewals and process new and modified permits. Our own projections confirm that DTSC would need to roughly double the average number of decisions it makes per year, from 8 to 16, to address the existing backlog and move towards attaining its goal of making decisions on 90 percent of permit applications within an average of two years. The DTSC states that it is exploring options to fund the positions needed to complete an average of 16 permits per year - the level needed to ensure no future backlogs.

Analyst's Recommendation. *We recommend approval of the Governor's proposal to augment the budget by \$1.2 million from the HCWA and convert 8 limited-term positions to permanent status. In our view, these positions are justified on a permanent basis to address ongoing workload. We further recommend that the department be required to report at budget hearings on the following:*

- The resources that DTSC would require in order to increase its average annual number of permit application decisions from 8 to 16 and thereby eliminate future backlogs.*
- The department's progress towards implementing the Permitting Enhancement Work Plan to create and update processes, guidance, and tools to support consistent processing of permit applications and more timely permit decisions. Specifically, the department should report on what efficiencies will be achieved by implementing the Permitting Enhancement Work Plan and whether it will result in faster permit decisions.*

STAFF COMMENTS

Staff concurs with the LAO analysis and recommendation. The Subcommittee may wish to ask DTSC to report on the resources it would take to increase the annual number of permit application decisions and about its efforts to implement the Permitting Enhancement Work Plan.

Staff Recommendation: Approve as Budgeted**ISSUE 3: CALIFORNIA GREEN BUSINESS NETWORK****BACKGROUND**

The California Green Business Network (CAGBN) is a network of voluntary programs for California businesses to gain certification for preventing or reducing pollution, conserving resources and significantly reducing greenhouse gas emissions, all while saving money. The California Green Business Program (CAGBP), managed by the CAGBN, delivers assistance for and validates sustainable business activities, strengthens the green marketplace, and tracks measurable outcomes using state and federally endorsed calculators. Participating businesses receive free technical assistance, access to up to \$20,000 in rebates through partnering agencies, and has their green practices confirmed and verified by one or more program partners. Certified businesses are promoted to the public to satisfy and increase consumer demand for a green marketplace.

The program targets a critical and underserved sector: small-to-medium sized businesses (SMBs). Long considered “hard to reach” by the state and utilities, SMBs rarely have staff assigned to managing environmental performance. These businesses typically have a lack of expertise, time, knowledge and funding to implement important conservation practices, even when it would benefit their bottom line. The CAGBP aims to benefit the SMB sector while also benefiting California’s environment, consistent with the goals of AB 32: air pollution reduction, alternative transportation, waste reduction, water conservation, and energy conservation.

While green business programs have been running since the mid-1990s, in 2011, after much acclaimed success, the CAGBP was formally adopted in state law through AB 913 (Feuer), Chapter 578, Statutes of 2011. After the passage of AB 913, the CAGBP received in-kind staff support and funding from the DTSC equaling approximately \$90,000 annually. However, in 2012, due to state budget cuts, the funding and support for the program was eliminated through SB 1018 (Committee on Budget and Fiscal Review, Chapter 39, Statues of 2012). Since 2012, the CAGBP has been working to garner a new source of state funding in order to continue the program and help target SMBs throughout the state. Membership funding from local green business programs

has kept the program afloat, allowing maintenance of a statewide web-based tracking system. Recently, the program received a small amount of federal funding to serve as a platform for other states to launch green business programs. Green business programs currently exist in 14 counties and 12 cities throughout California.

Since the CAGBN officially began in 2011, over 3,000 businesses have been certified. According to CAGBN, collectively, California green businesses saved:

- 835,334 metric tons of CO2
- 149,943,108 gallons of water
- 432,917 tons of waste diverted from landfill
- \$33 million in utility savings for small businesses

STAFF COMMENTS

The Subcommittee may wish to ask:

- Where does CAGBN have programs currently in California?
- What success has CAGBN had in launching programs in disadvantaged communities in California?
- What are some funding sources that have been identified?
- Is DTSC still a good fit for the program?

Staff Recommendation: Informational Item

3930 DEPARTMENT OF PESTICIDE REGULATION

The Department of Pesticide Regulation's budget is \$97 million, which represents a six percent increase from last year. The Department receives no General Funds.

ISSUE 1: CONTINUING THE AIR MONITORING NETWORK

The Governor's budget requests \$468,000 (Department of Pesticide Regulation [DPR] Fund) ongoing and 1.5 positions. The requested resources include contract funds for laboratory sample analysis and will be used to continue the Air Monitoring Network (AMN).

BACKGROUND

DPR created the AMN as a limited-term project to monitor ambient air pesticide concentrations (including soil fumigants) and calculate the human health risk from exposure to multiple pesticides for long time periods (e.g., annual and lifetime). Although DPR initially envisioned the AMN as a limited-term project with a specific start and end date, results from the last four years demonstrate the need for the AMN to be continued. In 2011 and 2012, no pesticides were detected at or above levels that would pose harm to human health. However, for the last two years, both 1,3-dichloropropene (1,3-D, which is also a cancer risk) and chloropicrin (subchronic exposure) exceeded health-protective screening levels. As resources permit, DPR plans to continue to track these pesticides.

STAFF COMMENTS

Having an ongoing AMN will allow DPR to monitor subsequent changes in pesticide concentrations in air and develop and implement mitigation measures, as needed. Without the AMN, DPR can only estimate long-term exposure to pesticides in air through modeling. Staff agrees with the Administration that an ongoing AMN is the best approach to providing long-term protection for California's residents.

Staff Recommendation: Approve as Budgeted

ISSUE 2: MITIGATION OF PESTICIDE IMPACTS ON WORKERS

The Governor's budget proposes \$482,000 from the DPR Fund and two permanent positions to address the growing need to develop strategies to mitigate pesticide impacts on workers and bystanders. This proposal includes ongoing contract funds for a facilitator (\$20,000) to lead public meetings and for mitigation research (\$150,000).

BACKGROUND

In 2014, two new laws led to an increased workload for Worker Health and Safety Branch (WHS): First, AB 101 (Budget Act of 2013-14), Chapter 354, Statutes of 2013, included budget bill language that set the minimum number of risk assessments (RAs) completed by DPR each year to five. While this language was removed from subsequent Budget Acts, there is an expectation among stakeholders that DPR will continue to meet this goal. Prior to this, there was no specific requirement for DPR to meet a specific quota. Second, AB 304 (Williams), Chapter 584, Statutes of 2013, requires DPR to adopt mitigation measures for pesticides determined to be a toxic air contaminant within two years of the department determining that additional mitigation measures are necessary.

DPR received three positions in the 2013-14 Budget Act (AB 101) to address the stated goal that DPR conduct five risk assessments per year. However, DPR did not receive resources for the corresponding resources needed for the increased mitigation measures that address the unacceptable exposures identified in the risk assessments.

STAFF COMMENTS

This proposal will enable DPR to keep pace with the increased production of risk assessments and concomitant need for mitigation, in addition to the legal requirement to complete mitigation in two years for pesticides identified as toxic air contaminants. Further, it will allow the DPR to enter into contracts necessary to support the development and evaluation of practical and scientifically sound mitigation strategies to further protect fieldworkers, pesticide handlers, and bystanders.

Staff Recommendation: Approve as Budgeted

ISSUE 3: POLLINATOR PROTECTION RISK EVALUATION

The Governor's budget requests two positions and \$335,000 in DPR Funds (\$308,000 ongoing) to address the increasing workload with pollinator protection issues. One position will help evaluate and assess ecotoxicology studies and to establish new pollinator data requirements in collaboration with the U.S. Environmental Protection Agency (EPA). The second position will organize onsite field events for growers and beekeepers, develop the mandated California Managed Pollinator Protection Plan, conduct enforcement training, create and disseminate brochures and educational materials, evaluate rulemaking, and investigate pollinator/pesticide bee damage incidents and causes.

BACKGROUND

In June 2014, due to the significant decline of pollinators over the last several decades, President Obama issued a Presidential Memorandum "Creating a Federal Strategy to Promote the Health of Honey Bees and Other Pollinators." This Strategy outlined a comprehensive approach to reducing the impact of multiple stressors on pollinator health, including pests and pathogens, and exposure to pesticides. Critical components of the Strategy are to advance the science supporting regulatory decisions, as well as strategies for mitigation.

Given the breadth, severity, and persistence of pollinator losses, U.S. EPA developed finalized guidance on the conduct of exposure and effect studies used to characterize the potential risk of pesticides to bees. The federal data requirements for pollinators have become more robust and complex as U.S. EPA seeks to evaluate and mitigate pesticide exposure to pollinators. In particular, more studies are now required in order to assess the potential for acute and chronic toxicity to honeybees. By regulation, DPR adopts U.S. EPA's data requirements. Changes to their data requirements directly impact the workload of DPR's Pesticide Registration Branch (PRB).

STAFF COMMENTS

Currently, DPR's resources are inadequate to address the increased workload related to new data requirements for assessing and mitigating the effects of pesticides on the health of pollinators. Funding this proposal will mitigate the effects of pesticides on pollinators, ensuring the sustainability of our food production systems, avoid additional economic impact on the agricultural sector, and protect the health of the environment.

Staff Recommendation: Approve as Budgeted

3980 OFFICE OF ENVIRONMENTAL HEALTH HAZARD ASSESSMENT

The Office of Environmental Health Hazard Assessment's (OEHHA) budget is \$25 million, which represents a 13 percent increase from last year. The Department receives most of its funding from special funds, with 4.8 million from General Fund.

ISSUE 1: DRINKING WATER: STATEWIDE INDICATORS OF QUALITY, AFFORDABILITY AND ACCESSIBILITY

The Governor's Budget requests \$277,000 annually, including \$100,000 per year in contracts, for two years, funded by reimbursement from the SWRCB in 2016-17 and 2017-18.

BACKGROUND

Drinking water systems in California already face multiple stressors, many of which have been amplified by the extreme drought. There is an urgent need for readily available decision-support tools and information to help guide management of drinking water in the state. Statewide data sets that characterize these stressors through specific indicators that can be represented with maps will provide SWRCB with a tool that assists in departmental planning and can help to identify areas where additional resources may need to be secured and directed. The indicators developed through this BCP will inform several of the concepts identified in AB 685 (Chapter 524, Statutes of 2012) which establishes as state policy that every Californian has the right to safe, clean, affordable, and accessible water adequate for human consumption, cooking, and sanitary purposes.

STAFF COMMENTS

OEHHA has already developed some statewide indicator data on drinking water quality as part of the California Communities Environmental Health Screening Tool (CalEnviroScreen). These resources will allow OEHHA to provide SWRCB with critical new statewide data and analysis related to the quality, affordability and accessibility of drinking water. The activities in this BCP extend and deepen that work on drinking water to include additional stressors and types of water system vulnerabilities beyond the requirements of the current CalEnviroScreen program.

Staff Recommendation: Approve as Budgeted

8570 DEPARTMENT OF FOOD AND AGRICULTURE

The Department of Food and Agriculture's budget is \$439 million, which represents a two percent decrease from last year. Most of the Department's budget is comprised of special funds, with \$80 million of the proposed total funding coming from General Fund.

ISSUE 1: CITRUS PEST AND DISEASE PREVENTION PROGRAM

The Governor's Budget requests an increase of \$1 million (Department of Agriculture Account, Department of Food and Agriculture Fund) for two years to enhance the Asian Citrus Psyllid (ACP) and Huanglongbing Mitigation (HLB) Project. The increased authority will allow the California Department of Food and Agriculture (CDFA) to add funds to existing commercial pesticide applicator contracts to initiate suppression and control activities in newly detected areas and initiate new contracts in areas as the program expands.

BACKGROUND

California's moderate, Mediterranean climate, coupled with its fertile soil and diverse land resources, allows year-round production of citrus commodities. California's citrus industry is the number one citrus producer in the United States, with the total gross value of over \$2.5 billion; the industry employs 10,000 people directly, and another 12,000 indirectly. Compared to the rest of the world, California citrus is relatively free of diseases. Currently, this status is in jeopardy due to the recent discovery of HLB and the growing population of ACP. The presence of ACP and HLB in California poses a clear danger to agriculture, the urban environment, and California's economy.

CDFA Division of Plant Health and Pest Prevention Services (PHPPS) is currently suppressing infestations of ACP in 16 California counties. In prior years, suppression operations began in Imperial, Los Angeles, Orange, San Bernardino, Riverside, San Diego, Ventura, Tulare, Santa Barbara, and San Benito counties. Suppression operations expanded to Fresno, Kern, Madera, San Joaquin, Santa Clara and San Luis Obispo counties, as ACP was detected in these areas for the first time in FY 2014-15. On July 10, 2015, an HLB infestation was detected in the San Gabriel area of Los Angeles County, which caused further expansion of the ACP and HLB Mitigation Project.

In the counties considered generally infested with ACP, growers are engaging in area wide management activities and the Citrus Pest and Disease Prevention Program is responding with buffer treatments. PHPPS will continue its overall treatment for ACP, enforcement of quarantine regulations, biological control development, laboratory services, and outreach operations. The increased authority will allow CDFA to continue its pesticide contractor activities, which have increased significantly, by adding funds to existing commercial pesticide applicator contracts to initiate suppression and control activities in newly detected areas and initiating new contracts in areas as the program

expands. The ultimate goal is to prevent ACP infected with HLB from becoming permanently established in California.

In FY 2013-14, a Finance Letter was approved to provide \$2.5 million in FYs 2013-14 and 2014-15, to aid the ACP program and the HLB Mitigation Project. In FY 2013-14, \$1 million one-time General Fund was approved by the Legislature to aid the program, as well.

STAFF COMMENTS

Because HLB has been found in multiple locations in Los Angeles, allowing the ACP population to increase and spread is a recipe for disaster, specifically because the port of Los Angeles is the number one port by container volume and cargo value in the United States. California's share of the total United States agricultural exports for 2013 was 14.7 percent. The establishment of ACP and HLB will also result in the imposition of quarantines on both production citrus and ornamental nurseries.

Due to the limited revenues of the Citrus Pest and Disease Prevention Program, CDFA requests a limited-term increase in spending authority for two years. During this time, CDFA will evaluate whether the program can be supported within the existing fee structure or if higher industry fees are necessary to support the increased suppression and control activities on an ongoing basis. Currently, there is a sufficient level of funding in the Department of Agriculture Account, Department of Food and Agriculture Fund to support increased spending in FYs 2016-17 and 2017-18.

Staff Recommendation: Approve as Budgeted

ISSUE 2: USE OF ANTIMICROBIAL DRUGS ON LIVESTOCK (SB 27)

The Governor's Budget requests eight permanent positions and \$1.4 million (General Fund) ongoing to initiate implementation of SB 27 (Hill), Chapter 758, Statutes of 2015, related to the use of antimicrobial drugs on livestock. Funding will support inspection, scientific, enforcement and administrative staff necessary to meet the beginning steps of this new mandate. Activities funded include: developing guidelines and training materials on the proper use of medically important antimicrobial drugs; gathering information on antimicrobial drug sales and usage, antimicrobial resistance bacteria and livestock management practices data; and enforcing the provisions of this language.

BACKGROUND

The overuse and misuse of antibiotics, especially antibiotics important in human medicine, contribute to antibiotic resistance which is a growing public health threat. Inappropriate antibiotic use and overuse in humans primarily drives the development of antibiotic resistance that threatens public health, but there is also a concern about antibiotic use in livestock and poultry. To address the issues of antibiotic use in livestock and poultry, SB 27 does the following:

- Ensures veterinary oversight by requiring prescriptions or veterinary feed directives for all medically important antibiotics administered to livestock;
- Prohibits the use of medically important antimicrobials for growth promotion and limits preventative use;
- Requires CDFA to develop studies and gather data related to medically important antimicrobial sales and usage in livestock and poultry, different livestock management practices and health outcomes, and levels of antibiotic resistance in the environment associated with farm animals and products from animals; and
- Requires CDFA to develop antibiotic stewardship tools and best animal management practices that mitigate the development of antibiotic resistance while maintaining health outcomes.

The activities required by SB 27 are new to current programs and require additional funding and positions to accomplish. SB 27 directs CDFA to seek funds from federal, state, and other sources to support the workload. General Fund funding is being requested for initial implementation until other resources can be obtained.

STAFF COMMENTS

Funding this proposal will provide CDFA with the staff necessary to meet the beginning steps of SB 27 mandates. Importantly, implementation of SB 27 should better protect both human and animal health from the risks associated with antimicrobial resistance.

Staff Recommendation: Approve as Budgeted

ISSUE 3: MATCHING GRANT PROGRAM**BACKGROUND**

Diabetes is one of the leading causes of death for Latinos, African Americans, Native Americans, and Asian Pacific Islanders in California. Approximately 40 percent of Latinos, Native Americans, African Americans and Asian Pacific Islanders, admitted to California hospitals in 2011 had diabetes. Further, a recently released study by the UCLA Center for Health Policy Research and the California Center for Public Health Advocacy found that 33 percent of younger adults (ages 18-39) are estimated to be prediabetic.

Strides have been made in education and awareness of healthier eating, but more could be done to further address this epidemic by expanding access to fresh fruits and vegetables. These are products grown in abundance in our state, but often too expensive for low-income families. Without robust interventions such as nutrition incentives, it is predicted that 50 percent of Latino and African American children born since the year 2000 will develop type 2 diabetes during their lifetime.

The economic consequences of diabetes in California have been estimated at over \$37.1 billion. The economic burden of diabetes and prediabetes on the average person is estimated to be over \$700 for every man, woman and child. Given the elevated economic costs of diabetes, it is unfortunate that California's per capita funding for diabetes prevention is one of the lowest in the nation.

Last year, Governor Brown signed AB 1321 (Ting), Chapter 442, Statutes of 2015, which created the Matching Grant Program within the Office of Farm to Fork at the California Department of Food and Agriculture (CDFA) to award grants to certified farmers' markets, farm stands, small retail grocery stores and community supported agriculture subscription programs that increase the amount of nutrition benefits available to low-income consumers when purchasing California's fresh fruits, nuts, and vegetables. However, AB 1321 also contained language specifying that grants would not be issued by CDFA until sufficient funds are available. The 2015-16 Budget Conference Committee approved \$2.5 million in funding for this Program but it was stricken from the final budget agreement.

STAFF COMMENTS

The 2014 federal Farm Bill, on which AB 1321 is predicated, set aside \$100 million in grants for programs that increase fruit and vegetable purchases among low-income consumers participating in the Supplemental Nutrition Assistance Program (SNAP) by providing incentives at the point of purchase. AB 1321 set up a state framework to help draw down those federal grants for local nutrition incentive programs that alleviate poverty and food insecurity, maximize access to fresh healthy foods, and stimulate economic growth in both agricultural and urban communities.

Limited resources for purchasing food has a dramatic impact on health and the risk of developing chronic diseases, like diabetes. This disproportionately impacts communities of color and is a critical factor in widening racial and ethnic health disparities. The Matching Grant Program would serve as an anti-poverty and anti-hunger measure by addressing the economic factors driving food disparities while simultaneously increasing access to affordable, healthy produce. By making healthy foods more affordable and readily available, the Matching Grant Program could help control rising healthcare costs for many Medi-Cal enrollees.

The Subcommittee may wish to consider allocating funding for the Matching Grant Program. With a \$5 million investment in the Program, the state could leverage \$5 million new federal matching funds. This would result in at least \$10 million for expansion of local nutrition incentive programs across a more equitable cross-section of communities.

Staff Recommendation: Hold Open
