# AGENDA

## ASSEMBLY BUDGET SUBCOMMITTEE NO. 3 RESOURCES AND TRANSPORTATION

### ASSEMBLYMEMBER RICHARD S. GORDON, CHAIR

### MAY 16, 2012
### 9:00 A.M. - STATE CAPITOL ROOM 126

**ITEMS TO BE HEARD**

# ITEMS TO BE HEARD

## 0540 NATURAL RESOURCES AGENCY
## 3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION

### ISSUE 1: TIMBER HARVEST PLAN REFORM

The Governor's Budget outlined the Administration's commitment to meet with stakeholders to receive input in developing a proposal to improve the Timber Harvest Plan (THP) process. The May Revision proposes a reform package that includes the following elements:

- Administrative Improvements— These changes would improve agency coordination of implementation of current regulatory process and shorten permit processing times for Timber Harvest Plans within existing resources:
  - Redding Pilot Project— Development and implementation of a year-long pilot project to test procedures to improve the efficiency of a multi-agency Timber Harvest Plan review team.
  - Timber Harvest Plan Documentation Review— A six to nine month review of the current content and organization of the Timber Harvest Plan application document to improve ease of preparation, continuity of plan content, and reduction of applicant errors. The review will also explore the ability to fill out e-forms.
- Lumber Assessment— The new fee would be collected on retail sales of certain wood products sold in California and would be collected by the Board of Equalization (BOE). The assessment will be used to support the regulatory activities of the Departments of Forestry and Fire Protection, Fish and Game, Conservation, and State Water Resources Control Board related to Timber Harvest Plan review. The assessment will provide a long-term funding stream to fund the regulatory agencies, and provides opportunities for future restoration of California forests, and increase timber production.
- Extension of Current Timber Harvest Plans— Timber Harvest Plans are currently effective for three years with two one-year extensions. The proposal would extend that timeframe to five years with one two-year extension and would include plans approved in 2012. This timeframe will optimize the length and scope of standard timber harvest plans while retaining appropriate protective measures for fish and wildlife.
- Limit Damages from Wildfire Liability— California law allows recovery of up to double damages for damages related to wildfires. This leads to claims far exceeding restoration costs. The proposal would limit the scope of damages for fire cases and prohibit double damages.

## QUESTIONS

- Please describe the process used by the Administration to develop this proposal.
- Will this proposal allow for more full analysis and review of THPs and will these THPs reviews be performed statewide rather than just in the north state?
- Approximately how much revenue does the Administration estimate the new lumber assessment will generate annually?
- How much does BOE anticipate it will cost to administer the program?
- Will the proposal provide enough to pay for the entire timber harvest regulatory program?
- Is it realistic to expect that there will be money left over for forest restoration after funding the Agencies and paying BOE's costs?

**Staff Recommendation: Hold Open**

## 3360 ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION
## 8660 CALIFORNIA PUBLIC UTILITIES COMMISSION

### ISSUE 1: ELECTRICITY PROGRAM INVESTMENT CHARGE PROGRAM (EPIC)

The May Revision requests authority for 9 positions for the Energy Commission for the initial year buildup to develop and administer $127.8 million per year in Electricity Program Investment Charge (EPIC) funds to administer the California Public Utilities Commission's EPIC program.

The EPIC program provides ratepayer funding for development and deployment of clean technologies for electricity to support the following: ratepayer and societal benefits; AB 32 (Nunez), Chapter 488, Statutes of 2006; Executive Order S-3-05 goals to reduce greenhouse gas emissions to 80 percent below zero levels by 2050; the "loading order" from the Energy Action Plans; low-emission vehicles/transportation; safe, reliable, and affordable energy services; economic development; and efficient use of ratepayer funds. In both the Assigned Commissioner Ruling and the proposed CPUC Decision, the CPUC selected the Energy Commission to be the administrator for the majority of the EPIC program.

### QUESTIONS

- Does EPIC continue the funding for programs originally funded by the Public Goods Charge?
- The Public Goods Charge was not reauthorized by the Legislature last year because it could not garner the 2/3 vote requirement for continuing the surcharge. What authority does the PUC rely on to continue collecting this surcharge from rate payers?
- Can you provide greater detail about where the $127.8 million will be spent?
- Do you have a written legal opinion that this proposal does not violate Proposition 26?
- What would be the impact if this proposal is denied?

**Staff Recommendation: Hold Open**

## 8570 DEPARTMENT OF FOOD AND AGRICULTURE

### ISSUE 1: GENERAL FUND REDUCTION

The May Revision proposes a permanent, unallocated General Fund reduction of $2.5 million. This builds on the $31 million General Fund reduction already adopted, which primarily affects various programs relating to border control stations, pest prevention, and food safety activities. The California Department of Food of Agriculture (CDFA) will collaborate with its stakeholders to prioritize its resources in determining which programs will be reduced to achieve the savings.

### QUESTION

Please discuss which programs are likely to be impacted by the proposed reduction.

**Staff Recommendation: Hold Open**

## 3860 DEPARTMENT OF WATER RESOURCES

### ISSUE 1: DAVIS-DOLWIG RESOLUTION

The May Revision proposes a $10 million continuous appropriation from the Harbors and Watercraft Revolving Fund to fund the state's obligations under the Davis-Dolwig Act, which requires the State to pay for recreational, fish and wildlife benefits at State Water Project facilities. The Harbors and Watercraft Revolving Fund is an appropriate funding source because a significant percentage of boating facilities in the state are at State Water Project facilities and Davis-Dolwig costs are primarily attributed to boating. This proposal will resolve a long-standing problem and will provide a reliable source of funding for the Department and state water contractors as they continue to manage and improve the state's water delivery system.

### QUESTIONS

- Is this a long term solution?
- Has flexibility been built into the solution to allow the changing needs of the water project?

**Staff Recommendation: Hold Open**

## 3500 DEPARTMENT OF RESOURCES RECYCLING AND RECOVERY

### ISSUE 1: BEVERAGE CONTAINER RECYCLING FUND REDEMPTION PAYMENTS

The May Revision proposes to require beverage container distributors to submit beverage container redemption payments to CalRecycle by the last day of the first month following sale, rather than the last day of the second or third month following sale. CalRecycle makes payments from the Beverage Container Recycling Fund to container recyclers and processors within 20 days, but under current law distributor payments to the Fund have to be made within 60 to 90 days. This proposal will better align the state's cashflows with container recyclers and processors.

### QUESTIONS

- Would this change result in a one-time increase in California Redemption Value (CRV) revenue?
- If so, how much revenue would it generate in the budget year?
- Could this proposals effectively eliminate the need for the General Fund to pay back any outstanding loans to the Beverage Container Recycling Fund in 2012-13?

**Staff Recommendation: Hold Open**

## DEPARTMENT OF TOXIC SUBSTANCES CONTROL

### ISSUE 1: GREEN CHEMISTRY PROPOSAL (SPRING FINANCE LETTER)

The Governor requests to permanently redirect positions and funding for DTSC to implement the Safer Consumer Products regulations mandated by AB 1879 (Feuer), Chapter 559, Statutes of 2008. Funding to support these redirections is from the Toxic Substances Control Account:

- Redirect 39.0 positions and $4.8 million associated with these positions
- Redirect $1.4 million for contracts and laboratory equipment and supplies

**Background**. The Safer Consumer Products regulations provide a systematic and consistent approach for DTSC to evaluate chemicals in products sold in California to identify product-chemical combinations that are of high concern because of the potential for exposure to the chemical in the product and the potential for adverse public health or environmental impacts resulting from such exposures. This process will lead to the identification/listing of products as Priority Products.

Manufacturers of products listed as Priority Products will be required to conduct an alternatives analysis to compare the existing product with potential alternatives. Upon conclusion of the alternatives analysis, the manufacturer will select an alternative chemical ingredient or alternative product design, or decide to retain the existing product-chemical. At this point, DTSC will evaluate the chosen alternative, or the existing product if no alternative is selected, using the information contained in the alternative analysis and other sources of information. The purpose of DTSC's evaluation will be to determine if there are adverse public health or environmental impacts associated with the product that can and need to be ameliorated by one or more regulatory responses. The request also includes positions to provide ongoing support for the Toxics Information Clearinghouse required by Senate Bill SB 509 (Simitian), Chapter 560, Statutes of 2008).

## ISSUE 2: TOXIC SUBSTANCES CONTROL ACCOUNT REDUCTION (SPRING FINANCE LETTER)

The Governor requests funding shifts and reductions to align expenditure authority in the Toxic Substances Control Account (TSCA) with projected revenues. Specifically, DTSC proposes to: 1) shift $2,276,000 and 18.0 positions to the Federal Trust Fund (FTF) to support federal grants funded by the Department of Defense and the U.S. Environmental Protection Agency; 2) shift $780,000 and 6.0 positions to reimbursements; 3) shift $3,007,000 and 28.3 positions to the Hazardous Waste Control Account (HWCA); 4) shift $167,000 to support the California Environmental Contaminant Biomonitoring Program (CECBP) to Childhood Lead Poisoning Prevention Fund ($45,000); Birth Defects Monitoring Program Fund ($45,000); Department of Pesticide Regulation Fund ($39,000); and Air Pollution Control Fund ($38,000); and 5) decrease $2,863,000 and 24.0 positions in fiscal year 2012-13 and decrease an additional $3,504,000 and 35.8 positions in fiscal year 2013-14.

In addition to DTSC's total reduction in TSCA of $12.6 million and 59.8 positions, the Office of Environmental Health Hazard Assessment (OEHHA) is reducing their TSCA expenditure authority by $461,000 and the California Department of Public Health (CDPH) is reducing their TSCA expenditure authority by $889,000. Both CDPH and OEHHA are increasing special fund authority by a like amount to maintain full funding for the CECBP.

**Background**. TSCA is supported primarily by: 1) the environmental fee assessed on businesses in California with 50 or more employees; 2) cost recovery; and 3) fines and penalty monies. For the past few years, DTSC has recognized that revenues in TSCA have not been sufficient to fund authorized expenditures from this account. Authorized expenditures consistently have exceeded revenues since 2008-09. Historically, DTSC has: 1) used carry-over reserves; and 2) reduced expenditures in this account to address the imbalance. DTSC's current revenue projections for 2011-12 through 2013-14 indicate that TSCA revenues will continue to be insufficient to support authorized expenditures and transfers in 2011-12 or baseline expenditures in 2012-13 or 2013-14. Although carry-over funds can offset the funding gap through 2012-13, the carry-over funds will not be sufficient to fund the gap between estimated revenues and expenditures in 2013-14.

## ISSUE 3: HAZARDOUS WASTE SPECIAL FUND REDUCTIONS (SPRING FINANCE LETTER)

The Governor requests a funding shift and reductions to offset an increase to the expenditure authority for the Hazardous Waste Control Account (HWCA) that would otherwise result from TSCA Reductions, which shifts positions from TSCA to HWCA funding. Specifically, DTSC proposes to: 1) shift $735,000 and 6.0 positions to the Federal Trust Fund (FTF) to support federal grants funded by the Department of Energy and the National Aeronautics and Space Administration (NASA); and 2) decrease $2,272,000 and 12.0 positions.

**Background**. In FY 2009-10, $3.5 million (and 32.3 positions) were shifted from HWCA to TSCA to fund enforcement activities related to various toxics in products laws, since these activities are most appropriately funded out of TSCA. Program experience since that time has shown that only 4.0 positions are needed for these activities. The remaining 28.3 positions shifted from HWCA to TSCA in FY 2009-10 have been used for hazardous waste inspection and enforcement activities and funded within HWCA expenditure authority. To appropriately align these 28.3 positions and their work, the Administration proposes to shift 28.3 positions and $3,007,000 from TSCA back to HWCA. In order to avoid a consequent increase to the HWCA expenditure authority, this Finance Letter proposes to offset the $3,007,000 shift from TSCA to HWCA with a combination of reductions and funding shifts.

## ISSUE 4: FUNDING SHIFT FROM TSCA TO OTHER SPECIAL FUNDS (SPRING FINANCE LETTER)

The Governor requests a funding shift through a reduction of $461,000 from the Toxic Substances Control Account (TSCA) and an augmentation of from the $125,000 Childhood Lead Poisoning Prevention Fund (CLPPF); $106,000 from the Department of Pesticide Regulation Fund (DPRF); $105,000 from the Air Pollution Control Fund (APCF); and $125,000 from the Birth Defects Monitoring Program Fund (BDMPF). This fund shift will not change OEHHA's overall expenditure authority, and will continue to support the Biomonitoring program. This proposal is necessary due to a decline in TSCA revenues and the importance of maintaining the California Environmental Contaminant Biomonitoring Program.

### QUESTIONS

- What is the impetus for these proposals?
- Will these proposal result in lay-offs?
- What's not going to get done?
- How likely is it the federal funds and reimbursements will be available for positions being redirected?
- Is the Administration working on a proposal to fund Green Chemistry?

**Staff Recommendation: Hold Open Issues 1-4**