

**AGENDA****ASSEMBLY BUDGET SUBCOMMITTEE NO. 3 ON RESOURCES AND TRANSPORTATION****ASSEMBLYMEMBER RICHARD BLOOM, CHAIR****THURSDAY, MAY 21, 2015  
1:00 P.M. - STATE CAPITOL ROOM 437**

<b>VOTE-ONLY CALENDAR</b>		
<b>ITEM</b>	<b>DESCRIPTION</b>	
<b>2240</b>	<b>DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT</b>	
<b>3860</b>	<b>DEPARTMENT OF WATER RESOURCES</b>	
<b>4700</b>	<b>DEPARTMENT OF COMMUNITY SERVICES AND DEVELOPMENT</b>	
<b>3940</b>	<b>STATE WATER RESOURCES CONTROL BOARD</b>	
<b>7760</b>	<b>DEPARTMENT OF GENERAL SERVICES</b>	
<b>0690</b>	<b>OFFICE OF EMERGENCY SERVICES</b>	
<b>0650</b>	<b>GOVERNOR'S OFFICE OF PLANNING AND RESEARCH</b>	
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<b>ITEM</b>	<b>DESCRIPTION</b>	
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**2240 DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT**  
**3860 DEPARTMENT OF WATER RESOURCES**  
**4700 DEPARTMENT OF COMMUNITY SERVICES AND DEVELOPMENT**  
**3940 STATE WATER RESOURCES CONTROL BOARD**  
**7760 DEPARTMENT OF GENERAL SERVICES**  
**0690 OFFICE OF EMERGENCY SERVICES**

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**VOTE-ONLY ISSUE 1: EMERGENCY DROUGHT RESPONSE**

The Governor's May Revision proposes an additional \$2.2 billion in resources to continue immediate response to drought impacts and invest in infrastructure intended to make the state's water system more resilient. (Additional drought related expenditures are included in the expenditures proposed from the Greenhouse Gas Reduction Fund.) The Subcommittee heard this proposal on May 18, 2015. Below is a brief description of the requested funds (a more detailed description is available in the May 18<sup>th</sup> agenda):

**Department of Water Resources (DWR).** Proposes \$162 million from Proposition 1 and the General Fund to support the following Programs address statewide drought impacts:

- *Groundwater Sustainability Planning Grants Program*, \$38.750 million Prop 1, Local Assistance (LA);
- *Agricultural Water Use Efficiency (WUE) Conservation*, \$29.844 million, Prop 1, State; Operations (SO) \$6.344 million and \$23.500 LA;
- *Desalination Grant Funding Programs*, \$44.459 million, Prop 1, Local Assistance (LA); and
- *Save Our Water*, \$4 million, GF, SO.

**State Water Resources Control Board (SWRCB).** Requests \$1.5 million (\$500,000 one-time for contracts) and eight positions (General Fund) to address several requirements of the most recent executive order on drought (Governor's Executive Order No. B-29-15) not included in the previous drought funding requests.

The proposal also requests \$1.6 billion (Proposition 1) to provide local assistance resources for the following Proposition 1 programs and \$71.25 million for state operations:

- Groundwater Contamination - \$784 million for competitive grants and loans;
- Water Recycling - \$475 million for grants and loans;
- Safe Drinking Water - \$180 million for public water system infrastructure improvements and related actions to meet safer drinking water standards;
- Wastewater Treatment Projects - \$160 million for grants for wastewater treatment projects;
- \$100 million for grants for stormwater management projects.

**Office of Emergency Services (OES).** Requests \$22.2 million (General Fund) to support local jurisdictions using the California Disaster Assistance Act program for approved drought-related projects.

**Department of Community Services and Development (CSD).** Proposes \$7.5 million (General Fund) to provide emergency relief and support services to economically disadvantaged Migrant and Seasonal Farmworkers (MSFWs) and other low-income populations within California's most drought affected counties.

**Department of Housing and Community Development (HCD).** Proposes \$6 million in General Fund (\$2,170,000 in State Operations and \$3,830,000 in Local Assistance funding for moving costs and 12 months of rental assistance).

**Department of General Services (DGS).** Requests \$10 million (General Fund) to provide grants for water conservation projects to departments with facilities not managed by DGS.

**Proposed Trailer Bill.** On May 20, the Subcommittee heard the Governor's proposed trailer bill language related to emergency drought response. The language presented addresses the following drought topics:

- Expanded Local Enforcement Authority
- Penalties
- Monitoring and Reporting
- Water System Consolidation
- Submetering
- Well Permits- CEQA Exemption for Local Ordinances for Groundwater Protection
- Stormwater Plans
- CEQA Exemption for Drought Mitigation
- CEQA Exemption for Building Code Provisions Regarding Plumbing for Recycled Water

Given the serious concerns these proposals seek to address and the controversy surrounding certain elements of the proposals, staff recommends adopting place-holder trailer bill language to allow a continued conversation about these proposals in Conference Committee.

#### STAFF COMMENTS

Staff recommends the following actions:

- Reduce the Proposition 1 local assistance appropriation for Groundwater Contamination and Water Recycling by \$1 million each to continue the conversation in Conference Committee on these two allocations.
- Approve the remaining May Revision Proposal intact.
- Approve place-holder trailer bill language that provides the necessary tools to assist state and local water entities with the on-going management of the drought.
- Adopt budget bill language that directs HCD to include an assessment of alternatives to relocation that may be available families and on which the relocation assistance funds could otherwise be spent. This would assist households apprehensive about relocation because of ties to the community.
- Adopt Supplemental Reporting Language as follows:

**Various Departments—Measuring Outcomes.** No later than October 1, 2015, the Department of Finance shall provide to the fiscal committees of both houses a report that compiles information regarding the projected outcomes and benefits associated with drought-related expenditures included in the 2015-16 Budget Act. For each drought-related appropriation in the budget, the administering department shall report provide (1) a projection of the benefits or outcomes it expects to achieve with the appropriation, and (2) the metrics and methods it will use to evaluate the success of the program. For water conservation projects and programs, the report shall include, but is not limited to, the amount of water

savings to be achieved. For water supply programs, the report shall include, but is not limited to, the projected increased amount of average annual water supply.

**Various Departments—Drought Expenditures.** No later than January 10, 2016, the Department of Finance shall provide to the fiscal committees of both houses a report that provides the amount of encumbrances and expenditures for each drought-related appropriation included in Chapter 2, Statutes of 2014 (SB 103, Senate Budget and Fiscal Review Committee); Chapter 3, Statutes of 2014 (SB 104, Senate Budget and Fiscal Review Committee); the 2014-15 Budget Act; Chapter 1, Statutes of 2015 (AB 91, Assembly Committee on Budget); and the 2015-15 Budget Act. These amounts shall be inclusive of expenditures and encumbrances through December 31, 2015.

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**Staff Recommendation: Reduce the Proposition 1 local assistance appropriation for Groundwater Contamination and Water Recycling by \$1 million each to continue the conversation in Conference Committee on these two allocations. Approve the remaining May Revision Proposal intact with budget bill language and SRL outlined above. Approve place-holder trailer bill language that provides the necessary tools to assist state and local water entities with the on-going management of the drought.**

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**3340 CALIFORNIA CONSERVATION CORPS  
3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION****VOTE-ONLY ISSUE 2: EXPANSION OF RESIDENTIAL PROGRAM AND RE-OPEN MAGALIA  
CONSERVATION CAMP**

The May Revision requests \$200,000 (General Fund) to conduct residential center site search/selection; \$3.3 million in FY 2016-17 and \$2.4 million ongoing in General Fund to fund 12.5 positions, 47 corpsmembers, as well as one-time and permanent operational costs of a CCC residential center in Butte County (Magalia). Funding in FY 2016-17 includes one-time costs of \$200,000 for equipment and \$700,000 for residential center site search/selection. The May Revision also requests \$3.1 million (General Fund) and 1.4 positions in FY 2015-16 and \$3.1 million (General Fund) and 12 positions in 2017-18 and ongoing to provide for the renovation and use of the Magalia Conservation Camp in Butte County. The Subcommittee heard this proposal on May 18, 2015.

**Staff Recommendation: Approve May Revision Proposals**

**3360 CALIFORNIA ENERGY COMMISSION****VOTE-ONLY ISSUE 3: FEDERAL FUND EXPENDITURE AUTHORITY FOR ARRA THIRD PARTY  
FUNDS**

The May Revision requests \$11 million in federal fund expenditure authority in FY 2015/16, and ongoing federal fund expenditure authority of \$2.5 million in FY 2016/17 through FY 2026/27 to implement both voluntary and mandatory programs to increase energy efficiency in existing government buildings and also in existing residential and commercial buildings. Federal American Recovery and Reinvestment Act of 2009 (ARRA) funds will be repurposed to initiate the Local Government Challenge, an innovative local jurisdiction grant program to promote energy efficiency improvements in existing buildings. The Subcommittee heard this proposal on May 18, 2015.

**Staff Recommendation: Approve May Revision Proposal**

**VOTE-ONLY ISSUE 4: NEW SOLAR HOMES PARTNERSHIP – TRAILER BILL LANGUAGE**

The May Revision requests trailer bill language to give the Public Utilities Commission (CPUC) authority to select the CEC as program administrator for the New Solar Homes Partnership (NSHP) Program.

**STAFF COMMENTS**

The Subcommittee heard this proposal on May 18, 2015. Given that the NSHP Program has never been vetted by a Legislative policy committee, staff recommends the Subcommittee include a provision to sunset the program on June 1, 2018. This would afford the Legislature an opportunity to consider effectiveness of the program in the future.

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**Staff Recommendation: Approve May Revision trailer bill with a sunset to the NSHP Program of June 1, 2018.**

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**3480 DEPARTMENT OF CONSERVATION**

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**VOTE-ONLY ISSUE 5: OIL AND GAS DATA MANAGEMENT SYSTEM**

The May Revision requests \$10 million (Oil, Gas, and Geothermal Administration Fund [OGGAF]), six, two-year limited term positions and 15 one-year limited-term positions, for the first year of a two-year project to develop and implement a comprehensive database system. The Oil and Gas Data Management System is intended to be a web-based system that allows for electronic processing to make the permitting of wells more efficient and to provide a web-based reporting system for operators to report required well information. The system is anticipated to make non-proprietary well information easily searchable and available to the public and meet the requirements of recent legislation. Provisional language is requested that specifies that the availability of the funds for the system is subject to project approval by the Department of Technology.

**STAFF COMMENTS**

The Subcommittee heard this proposal on May 18, 2015. Because of lingering questions about the total cost of the proposed project, staff recommends adopting supplemental reporting language (SRL) requiring the Department provide quarterly reports to the Joint Legislative Budget Committee until the feasibility study report is approved by the Department of Technology.

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**Staff Recommendation: Approve May Revision Proposal with SRL**

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**VOTE-ONLY ISSUE 6: UNDERGROUND INJECTION CONTROL PROGRAM (SFL)**

The Governor requests 23 permanent positions and a baseline appropriation of \$3,488,000 (\$3,285,000 ongoing) from the Oil, Gas, and Geothermal Administrative Fund to enhance the Department's Underground Injection Control (UIC) Program. According to the Administration, the resources are necessary to conduct extensive evaluations of the engineering and geologic conditions of aquifers into which injection has been occurring to inform the determination as to whether specific aquifers should be proposed for exemption from the Act.

The Subcommittee heard this multi-department proposal on May 13, 2015. The Subcommittee approved the funding and positions for the State Water Resources Control Board and the Department of Water Resources, but held open the Department of Conservation's proposal due to concerns about approving 23 new positions for the Department given the questions raised by public and private entities about DOGGR's various water quality exemptions, its record keeping, and its ability to manage this program. Further, as articulated in the previous agenda, beginning in 2010-11, the Department has requested major changes to program funding, during the May Revision process, three years in row.

However, given the immediate need to comply the U.S. EPA plans to bring the remaining injection wells into compliance within two years, staff recommends approving this proposal with supplemental reporting language requiring the Department to provide quarterly reports to the fiscal committees of both houses regarding progress with the timely compliance with U.S. EPA's order.

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**Staff Recommendation: Approve Spring Finance Letter with SRL outlined above.**

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**3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION**

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**ISSUE 7: ILLEGAL FIREWORKS DISPOSAL**

The May Revision requests \$5 million (TSCA) to dispose of stockpiles of dangerous and illegal fireworks seized in 2014 and anticipated to be seized in 2015. Provisional language is requested to both allow for the use of TSCA by CalFIRE for this purpose and to ship illegal fireworks out of state for disposal.

**STAFF COMMENTS**

The Subcommittee heard this proposal on May 18, 2015. As the Administration has committed to finding a longer-term funding source for the disposal of illegal fireworks and the urgency of addressing this issue, staff is comfortable using TSCA one-time for this purpose as proposed in the May Revision Proposal.

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**Staff Recommendation: Approve May Revision Proposal**

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**6400 UNIVERSITY OF CALIFORNIA**

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**VOTE-ONLY ISSUE 8: STRANDING OF SEA LION PUPS – LOCAL ASSISTANCE****BACKGROUND**

For the third year in a row, unusual numbers of sea lion pups are washing up on California shores. This year, they are stranding earlier than ever before and have surpassed previous years' numbers in six months. Unusually Warm waters along the West Coast are affecting food availability for nursing sea lion mothers, and the result is a generation of pups that are smaller than researchers have ever seen. Regardless of why this major oceanographic change is happening, the ripple effects are being felt acutely along the coast of California as starving sea lion pups continue to wash ashore. The Subcommittee heard an informational item on this issue on May 18, 2015.

**STAFF COMMENTS**

The California Marine Mammal Stranding Network fills a void where the state has no agency to respond to the current crisis. The Marine Mammal Stranding network is composed of cooperating scientific investigators and institutions (mostly non-profit), volunteer networks and individuals all of whom work under a letter of authorization from the National Marine Fisheries Service. Most are funded from dwindling federal sources and primarily through charitable contributions. To date the network has responded to 2900 strandings, significantly more than the 1262 responses in 2013, which was previously the highest number recorded. Using the current and historic rescue data, the network is preparing to respond to as many as 1,000 additional pups by the end of the year, bringing the total potential cost of the response to the network statewide to over \$3 million.

Staff recommends directing \$1 million (General Fund) to the Wildlife Health Center, University of California at Davis, to administer grants to local marine mammal stranding networks to help with the sea lion rescue effort. Funds shall be used to offset costs incurred since January 2015 and for those on-going this year for rescuing and rehabbing sea lion pups relative to this situation. Cost may include personnel, travel (fuel, tolls, vehicle maintenance etc.), veterinary supplies, animal food (herring, formula, etc.), operating supplies, and research.

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**Staff Recommendation: Appropriate \$1 Million (General Fund) to the Wildlife Health Center, University of California at Davis, to administer grants to local marine mammal stranding networks for help provided since January 2015 and to help with the ongoing sea lion rescue effort in California. Funds shall be used for rescuing and rehabbing sea lion pups. Costs may include personnel, travel (fuel, tolls, vehicle maintenance etc.), veterinary supplies, animal food (herring, formula, etc.), operating supplies, and research.**

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**3600 DEPARTMENT OF FISH AND WILDLIFE**

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**VOTE-ONLY ISSUE 9: RESTORATION OF SALMON HATCHERY PRODUCTION IN RESPONSE TO THE DROUGHT****BACKGROUND**

The Sacramento River system is the largest contributor to commercial and recreational salmon fisheries in California and Southern Oregon. Salmon from this river system support a vibrant fishery, which contribute thousands of jobs and hundreds of millions of dollars to California's economy. Due to the ongoing drought, natural recruitment of juvenile salmon from the Sacramento River system is predicted to be extraordinarily low. (State numbers have shown mortality rates of 95 %.) DFW lacks funding for additional enhancement production to offset drought impacts to salmon. In hopes of preventing a complete collapse of salmon runs, keeping salmon fishing open and avoiding economic hardship, there is a pressing need to offset drought impacts by increasing enhancement production of salmon to previous levels. Without aggressive action, there is fear of a repeat of the 2008---2009 shut down of all fishing sectors in California and much of Oregon.

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**Staff Recommendation: Appropriate \$200,000 (Commercial Salmon Stamp Account in the Fish and Game Preservation Fund) to the Department of Fish and Wildlife for production of 2 million additional "enhancement" salmon at the Feather River and Mokelumne River hatcheries.**

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**3780 NATIVE AMERICAN HERITAGE COMMISSION**

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**VOTE-ONLY ISSUE 10: IMPLEMENTATION OF NEW CALIFORNIA ENVIRONMENTAL QUALITY ACT REQUIREMENTS AND REPATRIATION OF NATIVE AMERICAN REMAINS AND CULTURAL ITEMS TRAILER BILL LANGUAGE**

The May Revision proposal requests \$1.6 million and eight positions in 2015-16, decreasing to \$602,000 and five positions ongoing to fund the implementation of AB 52 (Gatto), Chapter 532, Statutes of 2014. The Commission requests funding to create a geographic database of cultural and historical Native American tribal territories and all potential lead California Environmental Quality Act agencies within each territory. The proposal includes provisional language to make the availability of funds contingent upon project approval by the Department of Technology

The May Revision also includes trailer bill language to place the responsibility of the Repatriation Oversight Commission (ROC) within the Native American Heritage Commission and repeal language establishing the ROC. The ROC is currently a non-functioning, non-funded entity leaving many Native American remains and cultural burial items in need of repatriation (returned to federally or non-federally recognized tribes). The proposed trailer bill would also allow NAHC to accept grants and donations for these efforts. The Subcommittee heard this issue on May 18, 2015.

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**Staff Recommendation: Approve May Revision Proposal**

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**3940 STATE WATER RESOURCES CONTROL BOARD****VOTE-ONLY ISSUE 11: BAY DELTA WATER QUALITY CONTROL PLAN UPDATE AND IMPLEMENTATION**

The May Revision requests 16 positions and \$7.8 million from the General Fund (\$3.7 million) and the Water Rights Fund (\$4.1 million) to complete the comprehensive update of the Bay-Delta Water Quality Control Plan. Staff costs are split 25/75 percent between the General Fund and WRF. No changes are needed in statute or regulations, however, the comprehensive update will result in updated flow and other requirements in the Bay-Delta Water Quality Control Plan. The Subcommittee heard this issue on May 18, 2015.

**STAFF COMMENTS**

Given the importance of this work and the concerns raised during the hearing about using the Water Rights Fund for this purpose, staff recommends substituting General Fund.

**Staff Recommendation: Approve \$7.8 Million General Fund for this May Revision Proposal**

**3960 DEPARTMENT OF TOXIC SUBSTANCES CONTROL****VOTE-ONLY ISSUE 12: ENHANCED ENFORCEMENT INITIATIVE**

The May Revision requests \$2.1 million (\$222,000 Hazardous Waste Control Account [HWCA] and \$1.9 million TSCA) and 11 positions, to implement and evaluate approaches to address environmental violations in vulnerable communities. The proposal would focus inspection and enforcement resources on the metal recycling industry and the hazardous waste transportation industry. The proposal requests trailer bill language allowing the use of TSCA for these purposes. The Subcommittee heard this issue on May 18, 2015.

**VOTE-ONLY ISSUE 13: HAZARDOUS WASTE ENFORCEMENT PROGRAM IMPROVEMENTS**

The May Revision proposal requests \$1.4 million (TSCA) for two years to conduct a review of its hazardous waste management enforcement program. Specifically, the department proposes an assessment of its enforcement program including evaluation of workload, inspections, investigations, policies and statutory mandates. The proposal requests trailer bill language allowing the use of TSCA for these purposes. The Subcommittee heard this issue on May 18, 2015.

**VOTE-ONLY ISSUE 14: SAFER CONSUMER PRODUCTS PRIORITY WORK PLAN**

The May Revision proposal requests six limited-term positions and \$643,000 (TSCA), to allow the department to expand research capabilities and accelerate the rate in which consumer products containing toxic chemicals can be evaluated and identified for inclusion in the Safer Consumer Products (SCP) Program. The Subcommittee heard this issue on May 18, 2015.

**VOTE-ONLY ISSUE 15: POSITION FUNDING REALIGNMENT**

The May Revision requests to realign \$2.4 million and 18 positions from the Federal Trust Fund to the Toxic Substance Control Account to support oversight of state response and Orphan/National Priority List site cleanup. According to the proposal, these positions were to be supported through a cooperative agreement from the Department of Defense, which has not materialized. The Subcommittee heard this issue on May 18, 2015.

**VOTE-ONLY ISSUE 16: EXPEDITED REMEDIAL ACTION PROGRAM**

DTSC is requesting an appropriation of \$3.4 million and a reversion of the unencumbered balance of the 2014/15 appropriation from the Expedited Site Remediation Trust Fund to reimburse SR Land Company and the Richard N. Clayton 1981 Trust for the orphan share associated with their cleanup activities at the Golden Technology Site in the City of Santa Rosa in Sonoma County. On June 30, 2010, DTSC signed an Apportionment of Liability allocating 76 percent to the orphan share. SR Land Company and the Richard N. Clayton 1981 Trust have spent over \$4.5 million investigating and cleaning up the soil and groundwater at the site. This included the removal of over 3,200 tons of soil containing volatile organic compounds and the in place treatment of groundwater. A land use covenant will be signed restricting future uses of the site.

The Subcommittee heard all of these proposals on May 18, 2015.

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**Staff Recommendation: Approve All May Revision Proposals**

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**8660 PUBLIC UTILITIES COMMISSION****VOTE-ONLY ISSUE 17: NET ENERGY METERING ON MILITARY BASES - TRAILER BILL LANGUAGE**

The May Revision proposes trailer bill language that clarifies the definition of premise for military installations, allowing the establishment of several premises on bases. The intended impact of this definition will be to allow additional solar energy generation on California military bases beyond one megawatt, including rooftop solar for approximately 19,000 housing units in military installations. The Subcommittee heard this issue on May 18, 2015.

A number of concerns were raised about this proposal during the Subcommittee hearing and staff has had a limited amount of time to evaluate these concerns. However, due to member and Administration interest in supporting military self-reliance, staff recommends adopting place-holder trailer bill language to advance this conversation to Conference Committee.

**Staff Recommendation: Adopt place-holder trailer bill language that supports the expansion of renewables on military bases.**

**VOTE-ONLY ISSUE 18: IMPLEMENT GHG REVENUE STUDY ON ENERGY-INTENSIVE, TRADE EXPOSED INDUSTRIES (EITE)**

Last year, the Subcommittee heard and rejected the Governor's Budget requests for an increase of \$1 million (reimbursable authority) in 2014-15 and \$500,000 per year from 2015-16 through 2021-2022 to enable the CPUC to implement the return of GHG revenue to EITE industries. The funding was proposed to allow the CPUC to ensure that sensitive and confidential business information is not compromised, and to complete the study of EITE industry leakage. In the proposal, the CPUC asserted that because the state has not yet conducted a comprehensive study of industries put at risk due to cap and trade, the CPUC would like to engage researchers at the University of California to conduct a "far-ranging study" of other industries that might need financial assistance.

Implementing Legislation. SB 1018 states:

748.5. (a) Except as provided in subdivision (c), the commission shall require revenues, including any accrued interest, received by an electrical corporation as a result of the direct allocation of greenhouse gas allowances to electric utilities pursuant to subdivision (b) of Section 95890 of Title 17 of the California Code of Regulations to be credited directly to the residential, small business, and emissions-intensive trade-exposed retail customers of the electrical corporation.

(b) Not later than January 1, 2013, the commission shall require the adoption and implementation of a customer outreach plan for each electrical corporation, including, but not limited to, such measures as notices in bills and through media outlets, for purposes of obtaining the maximum feasible public awareness of the crediting of greenhouse gas allowance revenues. Costs associated with the implementation of this plan are subject to recovery in rates pursuant to Section 454.

**BACKGROUND**

As part of its implementation of the state's Cap and Trade program for greenhouse gas (GHG) reduction, the Air Resources Board (ARB) issues GHG allowances, which are permits to emit GHGs into the atmosphere. In order to protect electric ratepayers from price increases, the ARB allocates free allowances to the state's electric utilities and requires them to sell those allowances, returning the revenue to ratepayers. Senate Bill 1018 (Committee on Budget and Fiscal Review), Chapter 39, Statutes of 2011, required this revenue to be provided directly to residential customers, small businesses, and companies in emission intensive, trade-exposed (EITE) industries. The allocation to EITE companies is intended to ensure that industrial production currently occurring in California does not move outside the state as a result of cap and trade, thus causing emissions to "leak" out of the state.

The CPUC has been developing a program to address the mitigation leakage risk, including specific formulas to determine how much allowance revenue each EITE company should receive, and to base the allocation primarily on product output. The CPUC has stated that this calculation is problematic because it has a challenging time calculating the price of output, and that it is not aware of all companies at risk of "leakage."

**STAFF COMMENTS**

Staff holds the opinion articulated in last year's agenda that at the time of the passage of SB 1018, it was not contemplated that the return of cap and trade funds to residential, commercial and industrial entities would require over \$1 million to implement the program. In addition, the idea that the CPUC must contract to conduct a far-ranging study on the impacts of cap and trade on industry was not discussed. This activity is beyond the scope of the CPUC and more in the purview of the ARB, as part of its broader discussion of "leakage" within the Cap and Trade program.

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**Staff Recommendation: No Action**

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**0540 SECRETARY OF NATURAL RESOURCES AGENCY**

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**VOTE-ONLY ISSUE 19: EXPANSION OF TIMBER REGULATION AND FOREST RESTORATION PROGRAM**

This May Revise budget proposal ties to the California Natural Resources Agency's Spring Finance Letter for the AB 1492 program approved by the Subcommittee on May 13, 2015, requesting funds from the Timber Regulation and Forest Restoration Fund. The proposal requests TRFRF funding as follows: \$1.3 million in one-time funding and \$176,000 in ongoing funding (starting in BY+1) for the development and implementation of interagency information systems to support program efficiencies and accountability; \$750,000 in one-time funding and \$300,000 in BY+1 for pilot projects and priority data collection related to data and monitoring, ecological performance measures, administrative efficiency and transparency, and forest restoration. The proposed activities are consistent with the requirements for program efficiencies and accountability and for forest restoration called for in AB 1492 (Blumenfeld, Chapter 289, Statutes of 2012). The Subcommittee heard this issue on May 18, 2015.

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**Staff Recommendation: Approve May Revision Proposal**

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**2660 CALTRANS****VOTE-ONLY ISSUE 20: CAPITAL OUTLAY SUPPORT PROVISIONAL LANGUAGE**

The Subcommittee will consider adopting provisional budget language.

**BACKGROUND**

By long standing practices, Capital Outlay Support staffing at Caltrans are split, with 90 percent of the work performed by State staff and 10 percent by contracted outside consultants. The 2015-16 budget reflects this split in resources.

In previous years, the budget bill contained a provision that specified the 10 percent of costs for contracted staffing, in the budget. This provision was not included in the Governor's budget.

**STAFF COMMENTS**

Adding this provision would not change policy, but it would allow greater transparency regarding the use of funding contained in the budget.

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**Staff Recommendation: Adopt Budget Bill Language to specify the amount of Capital Outlay Support staffing that is done through contracts.**

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**VOTE-ONLY ISSUE 21: FISH PASSAGES**

The Subcommittee will consider funding highway improvements related to fish passages.

**BACKGROUND**

SB 857 (Kuehl), Chapter 589, Statutes of 2005 requires the Department of Transportation (Caltrans) to construct projects in a manner that does not present barriers to anadromous (salmon and steelhead) fish passage, to develop an approach to remediate existing barriers, to prepare and present its assessment for any repair project using state or federal transportation funds that affects anadromous fish to the Department of Fish and Wildlife (DFW), and to annually report to the Legislature on its progress in locating, assessing, and remediating existing barriers to anadromous fish passage.

Existing law intends the removal of man-made barriers to salmon migration that have been created by the state highway system and for those barriers to be remediated as repairs are made. Habitat fragmentation and degradation caused by these barriers has resulted in severe habitat reduction and even near extinction of some fish populations. Road and stream crossings are extremely numerous, and may prevent the use of available habitat, a situation that is worsening as the drought continues.

According to the 2014 Coastal Anadromous Fish Passage Assessment and Remediation Progress Report there are 569 fish passage barriers in the state and, since 2006, only 31 have been remediated. In coordination with DFW, Caltrans has completed a review of all state highway locations within the passage assessment database and found that 36 of the 569 barriers are considered to be priority locations

**STAFF COMMENTS**

The Subcommittee could consider appropriating funds and adopting trailer bill to begin the process of installing fish passages to remove barriers that exist on highways.

To that end, staff recommends:

*Dedicate \$5 million State Highway Account funds for the remediation of fish passage barriers and 2) adopt Trailer Bill Language direct Caltrans to expedite the remediation of the fish passage barriers that are considered by DFW to be the highest priority.*

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**Staff Recommendation: Adopt Staff Recommendation**

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**VOTE-ONLY ISSUE 22: WALERGA PARK SOUNDWALL**

The Subcommittee will consider approving funding for a soundwall in and around Walerga Park.

**BACKGROUND**

Efforts have been undertaken to build an approximately 1.5 mile long soundwall in and around Walerga Park area to mitigate the impact of highway noise and pollution the result from this park being located next to the interstate highway. This park includes a marker to commemorate the internment of Japanese-Americans in World War II at the Walegra Assembly area, that once existed on the ste..

The total project costs are expected to be \$1.2 million, with \$500,000 pledge by the county, subject to the identification of matching funds.

**STAFF COMMENTS**

The appropriation of \$700,000 for this purpose would allow the project to be completed.

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**Staff Recommendation: Appropriate \$700,000 State Highway Account funds for the Walerga Park Soundwall project.**

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**VOTE-ONLY ISSUE 23: TOWER BRIDGE RELINQUISHMENT**

The Subcommittee will consider providing the authority to the California Transportation Commission and Caltrans to relinquish the Tower Bridge.

**BACKGROUND**

The Tower Bridge is an iconic symbol of the greater Sacramento area. It is also, technically, a 300 meter long stand-alone state highway. While the bridge serves a mostly local and regional purpose, the State has been responsible for the upkeep and improvements to this bridge. Historically, the cities of Sacramento and West Sacramento have not been interested in assuming responsibility for this bridge.

Recently, both cities have been engaged in an effort to use the bridge as a critical link in streetcar line that would link downtown Sacramento with West Sacramento. This effort would involve improvements to the Tower Bridge, which would likely fall to the State. However, this also provides the State an opportunity to negotiate with both cities to relinquish the bridge as a condition for making needed improvements. Thus, the State would incur a one-time cost for the bridge, but then be absolved of future maintenance and upkeep costs for the structure.

**STAFF COMMENTS**

Taking the following action would allow the State to negotiate with the cities of Sacramento and West Sacramento to improve and then relinquish the Tower Bridge:

1. Add budget bill provisional language authorizing the additional appropriation of up to \$15 million for improvements to the Tower Bridge.
2. Adopt placeholder Trailer Bill Language authorizing the California Transportation Commission to relinquish the Tower Bridge to the cities of Sacramento and West Sacramento provided that it is in a state of good repair that allows for the use of streetcars, as determined by the cities.

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**Staff Recommendation: Adopt Budget Bill Language and placeholder Trailer Bill Language**

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**VOTE-ONLY ISSUE 24: INTERCITY RAIL REPORTING**

The Subcommittee will consider adopting reporting language regarding possible modifications that could improve the safety and reduce the environmental costs of the State's intercity rail system.

**BACKGROUND**

Caltrans operates three statewide intercity rail lines, the Pacific Surfliner line, the San Joaquin line, and the Capitol Corridor line. These three lines serve 130 destinations and over five million passengers annually.

**STAFF COMMENTS**

Like the High Speed Rail project, the increased use of rail passenger travel can increase mobility for Californians and also reduce overall greenhouse gas emissions. In future years, the Subcommittee may wish to consider improving the intercity rail system as part of the State's overall investment plan. In particular, the use of grade separations in key intersections and the increased use of electrification could offer the State two strategies that could yield potential co-benefits in safety, service levels, cost, and reduced greenhouse gases.

To the end, the Subcommittee could adopt the following reporting language:

*By April 1, 2016, Caltrans will report to the Legislature on the possible increases to safety, reduction of greenhouse gas emissions, improved service levels, and reduced operating costs that could be possible through the development of grade separations at key intersections and electrification along all or parts of the State's intercity rail system.*

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**Staff Recommendation: Adopt Placeholder Trailer Bill Language**

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**VOTE-ONLY ISSUE 25: PRE-PROPOSITION 42 DEBTS**

The Subcommittee will consider adopting Trailer Bill that would include Pre-Proposition 42 transportation loans on future accounting of special fund loans.

**BACKGROUND**

During the last fifteen years, transportation funds have been loaned from various Caltrans programs to the General Fund. Most of these loans were included on the list of special fund loans and the Governor's Wall of Debt and are on track to be repaid in the next year. However, \$879 million of borrowing that occurred in 2001-02, prior to the passage of Proposition 42 are not included on this list, in part because language exists to repay these loans with tribal gaming revenue. However, this tribal gaming revenue is not expected to be available for another five years.

Some of these funds were committed to projects, which have been moving forward by borrowing other special funds.

**STAFF COMMENTS**

Staff recommends adopting placeholder Trailer Bill Language to reflect the Pre-Proposition 42 transportation borrowing as General Fund Special Fund loans, so that it can be considered as a debt that can be repaid in future years.

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**Staff Recommendation: Adopt Placeholder Trailer Bill Language**

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**VOTE-ONLY ISSUE 26: CALTRANS MAY REVISIONS PROPOSALS**

The May Revision contains two new proposals for Caltrans.

**BACKGROUND**

The May Revision includes two proposals for Caltrans:

**Resources to Sell Property Along the State Route 710 Corridor:** Caltrans is proposing \$2.5 million and six positions to begin the process of selling surplus property that has been held by the Department for the State Route 710 Corridor between Interstate 10 and Interstate 710. Caltrans currently owns 460 properties along a previously proposed right-of-way with a market value that was assessed in 2013 at \$279 million. In 2013, SB 416 (Liu, Chapter 468 of 2013) began the process of selling properties that have been eliminated for consideration for the extension of the 710 Extension or alternative.

**Road Usage Charge Pilot Program Acceleration:** The May Revision updates the Road Usage Charge proposal to reflect an additional \$1.3 million in expenditure in 2016-17 to reflect the acceleration of the pilot. This acceleration will allow the pilot to be completed a year early.

<b>STAFF COMMENTS</b>
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The Subcommittee adopted the administration's Road Usage Charge at its April 22 Subcommittee hearing.

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**Staff Recommendation: Adopt May Revision Proposal**

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**VOTE-ONLY ISSUE 27: GREEN STICKERS CAP**

The Subcommittee will consider increasing the Green Sticker Cap.

**BACKGROUND**

On January 1, 2012, the Green Sticker program was launched with a total limit of 70,000 stickers. Several bills have been passed and signed into law since then that have increased the cap, including transportation budget trailer bill SB 853 (Committee on Budget and Fiscal Review, Chapter 27, Statutes of 2014) that raised the cap to its current limit today of 70,000, effective January 1, 2015.

According to the DMV, a previous limit of 55,000 decals was reached at the end of September 2014. Remaining applications on hand were held at that point and DMV continued to receive applications between October and December 31, 2014; at the first of January 2015, DMV issued 2,725 pending applications on-hand and received between October and December 31, 2014. The number of decals issued so far this year are as follows: January (2,439); February (2,694); March (3,260); and, April (1,886). This leaves the DMV with 1,996 available decals until the current 70,000 decal limit is reached.

Based on this information, the Administration highly anticipates the current cap will be reached way before the end of this calendar year and possibly, by July 1st, which underscores our collective desire to pursue this proposal through the budget process.

**STAFF COMMENTS**

The Administration believes that adding an additional 15,000 stickers, bringing the Cap to 85,000 will ensure that motorists that are eligible for the sticker continue to receive them in the budget year.

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**Staff Recommendation: Adopt Trailer Bill Language to increase the Green Sticker Cap to by 15,000 to a total of 85,000.**

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**2670 BOARD OF PILOT COMMISSIONERS****VOTE-ONLY ISSUE 28: BOARD OF PILOT COMMISSIONERS RATE INCREASE**

The Subcommittee will consider adjusting Board of Pilot Commission rates to conform to a recent action taken by the Board.

**BACKGROUND**

The Board of Pilot Commissioners for the Bays of San Francisco, San Pablo, and Suisun is the oversight body that licenses and regulates the 58 pilots who make up the San Francisco Bar Pilots. The Board's responsibilities include training, licensing, incident investigation and rate determination.

The Board of Pilot Commissioners was established in California's first Legislative Session. It has been in continuous existence since 1850, making it the oldest Commission in California. The Commission consists of seven appointees that are made by the Governor and subject to Senate confirmation.

On April 10, 2015, the Board of Pilot Commissioners unanimously approved a rate increase of 3 percent for both 2016 and 2017 for bar pilots, followed by a 2 percent increase in both 2018 and 2019. In addition, the Board took action to extend previously granted ability to adjust the rates to cover the cost to purchase or lease certain navigation technology. These rate increases require statutory change to take effect.

**STAFF COMMENTS**

The Subcommittee could enact the Board's action by adopting the following Trailer Bill Language:

1. Amend Harbors and Navigation Code Section 1190(e) as follows:

"Consistent with the board's April 2015 adoption of rate recommendations, the rates imposed pursuant to paragraph(1) of subdivision (a) that are in effect on December 31, 2015, shall be increased by 3 percent on January 1, 2016; those in effect on December 31, 2016, shall be increased by 3 percent on January 1, 2017; those in effect on December 31, 2017, shall be increased by 2 percent on January 1, 2018; and those in effect on December 31, 2018, shall be increased by 2 percent on January 1, 2019.

2. Amend Harbors and Navigation Code Section 1190(f) as follows:

(f) (1) There shall be a movement fee as is necessary and authorized by the board to recover a pilot's costs for the purchase, lease, or maintenance of navigation software, hardware, and ancillary equipment purchased after January 1, 2016.

(2) The software, equipment, and technology covered by this subdivision shall be used strictly and exclusively to aid in piloting on the pilotage grounds. The movement fee authorized by this subdivision shall be identified as a navigation technology surcharge on a pilot's invoices and separately accounted for in the accounting required by Section 1136. The board shall review and adjust as necessary the navigation technology surcharge at least quarterly. This subdivision shall become inoperative on January 1, 2020.

3. Amend Harbors and Navigation Code Section 1191(c) as follows:

"Consistent with the board's adoption of rate recommendations in April 2015, the minimum rates imposed pursuant to this section that are in effect on December 31, 2015, shall be increased by 3 percent on January 1, 2016; those in effect on December 31, 2016, shall be increased by 3 percent on January 1, 2017; those in effect on December 31, 2017, shall be increased by 2 percent on January 1, 2018; and those in effect on December 31, 2018, shall be increased by 2 percent on January 1, 2019."

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**Staff Recommendation: Adopt Trailer Bill Language**

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**VOTE-ONLY ISSUE 29: PILOT FATIGUE STUDY**

The Subcommittee will consider funding a pilot fatigue study of bar pilots

**BACKGROUND**

In November 2007, the *Cosco Busan* containership, operating in a dense fog under the guidance of a bar pilot, hit the Bay Bridge and leaked more than 50,000 gallons of bunker fuel into the bay. Investigation of this accident, and other accidents in other harbors, led to a conclusion that pilot fatigue was a major factor in the accident. In response, the National Transportation Safety Board recommended studying the appropriate rest hour work protocol for eliminating or reducing pilot fatigue.

One provision of SB 1408 (Blakeslee) Chapter 794 of 2012, authorized the pilot fatigue study recommended by the National Transportation Safety Board. However, funding for this study has yet to be appropriated so the study has not gone forward.

**STAFF COMMENTS**

The fatigue study would be commissioned through a Request for Proposal and the total cost would be determined depending on the successful bid. The Subcommittee could appropriate \$450,000 Board Operations Fund for the pilot fatigue study, which would likely cover the full cost of the study. The Board Operation Fund is estimated to have \$3.5 million reserve for this year, so funds should be available for this study

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**Staff Recommendation: Appropriate \$450,000 for the Pilot Fatigue Study.**

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**2665 HIGH SPEED RAIL AUTHORITY****VOTE-ONLY ISSUE 30: HIGH SPEED RAIL REPORTING**

The Subcommittee will consider adopting changes to the High Speed Rail Peer Review Group and reporting requirements.

**BACKGROUND**

At the April 22, 2015 hearing, Assembly Budget Subcommittee 3 requested the High Speed Rail Authority provide feedback to on possible changes to reporting requirements to eliminate redundant or obsolete reports. In addition, the Subcommittee asked the Authority to recommend changes to the requirements for the Peer Review Group to make it easier to fill vacancies on that group. The Authority provided the following suggestions in response:

*Peer Review Group:*

Section 185035 of the Public Utilities Code:

185035. (a) The authority shall establish an independent peer review group for the purpose of reviewing the planning, engineering, financing, and other elements of the authority's plans and issuing an analysis of appropriateness and accuracy of the authority's assumptions and an analysis of the viability of the authority's financing plan, including the funding plan for each corridor required pursuant to subdivision (b) of Section 2704.08 of the Streets and Highways Code.

(b) The peer review group shall include all of the following:

(1) ~~Two individuals with experience in the construction or operation of high-speed trains in Europe, Asia, or both, designated by the Treasurer.~~ Two individuals with education and experience in the planning and construction of large transportation systems, such as high-speed rail or highway systems with similar characteristics.

(2) ~~Two individuals, one with experience in engineering and construction of high-speed trains and one with experience in project finance,~~ one with experience in



engineering and construction of high-speed trains or similar large infrastructure projects and one with experience in project planning and finance designated by the Controller.

(3) One representative from a financial services or financial consulting firm who shall not have been a contractor or subcontractor of the authority for the previous three years, designated by the Director of Finance.

(4) One representative with experience in environmental planning, designated by the Secretary of Business, Transportation and Housing.

(5) ~~Two expert representatives from agencies providing intercity or commuter passenger train services in California,~~ Two individuals with experience providing or governing intercity or commuter passenger train services in California designated by the Secretary of Business, Transportation and Housing. (c) The peer review group shall evaluate the authority's funding plans and prepare its independent judgment as to the feasibility and reasonableness of the plans, appropriateness of assumptions, analyses, and estimates, and any other observations or evaluations it deems necessary.

(d) The authority shall provide the peer review group any and all information that the peer review group may request to carry out its responsibilities.

(e) The peer review group shall report its findings and conclusions to the Legislature no later than 60 days after receiving the plans

#### REPORTING REQUIREMENTS

*Amend provisions 4 and 5 of Section 9 of SB 1029, Chapter 152, Statutes of 2012 as follows:*

SEC. 9. Item 2665-306-6043 is added to Section 2.00 of the Budget Act of 2012, to read:

2665-306-6043--For capital outlay, High-Speed Rail Authority, payable from the High-Speed Passenger Train Bond Fund ..... 2,609,076,000

Schedule:

- (1) 20.01.010-Initial  
Operating Segment,  
Section 1-  
-Acquisition and  
Build..... 2,609,076,000

Provisions:

4. On or before March 1, 2017 and every two years thereafter ~~and November 15 of each year~~ for which funding appropriated in this item is encumbered, the High-Speed Rail Authority shall provide a Project Update Report approved, as consistent with the criteria in this provision, by the Secretary of ~~Business, Transportation and Housing~~ to the budget committees and the appropriate policy committees of both houses

of the Legislature on the development and implementation of intercity high-speed train service pursuant to Section 185030 of the Public Utilities Code. The report, at a minimum, shall include a programwide summary, as well as details by project segment, with all information necessary to clearly describe the status of the project, including, but not limited to, all of the following:

- (a) A summary describing the overall progress of the project.
- (b) The baseline budget for all project phase costs, by segment or contract, beginning with the California High-Speed Rail Program Revised 2012 Business Plan.
- (c) The current and projected budget, by segment or contract, for all project phase costs.
- (d) Expenditures to date, by segment or contract, for all project phase costs.
- (e) A comparison of the current and projected work schedule and the baseline schedule contained in the California High-Speed Rail Program Revised 2012 Business Plan.
- (f) A summary of milestones achieved during the prior year and milestones expected to be reached in the coming year.
- (g) Any issues identified during the prior year and actions taken to address those issues.
- (h) A thorough discussion of various risks to the project and steps taken to

mitigate those risks.

5. (a) With respect to contracts scheduled to be awarded in December 2012 to commence construction of the first construction segment of the initial operating section of the high-speed rail system, as described in the California High-Speed Rail Program Revised 2012 Business Plan adopted by the authority on April 12, 2012 (revised business plan), the authority shall submit the following reports approved, as consistent with the criteria in this provision, by the Secretary of Business, Transportation and Housing to the Senate Committee on Transportation and Housing, the Assembly Committee on Transportation, and the Senate and Assembly committees on budget:
- (1) By October 1, 2012, prior to awarding a contract to commence construction of the first construction segment or committing funds for the contract, and prior to advertising contracts to be awarded for the first construction segment in September 2013 and October 2013, a comprehensive staff management report that includes:

- (i) An organizational chart for the authority, detailed description of each executive manager's function and responsibilities, summary of staffing changes in the preceding year, a strategy for filling vacancies and the recruitment and staffing plans for the 2012-13 fiscal year.
- (ii) The management approach, including number, skill level, position, and hiring and retention plan of staff and outside consultants required to adequately oversee each of the planned construction contracts funded in this act.
- (iii) Proposed steps and procedures that will be employed to ensure adequate oversight and management of contractors involved in the construction contracts funded in this act.
- (iv) Procedures to detect and prevent contract splitting.
- (2) Prior to awarding a contract to commence construction of the

\_\_\_\_\_ first construction  
\_\_\_\_\_ segment, a report  
\_\_\_\_\_ certifying that the  
\_\_\_\_\_ amount awarded  
\_\_\_\_\_ under the contract  
\_\_\_\_\_ is within the  
\_\_\_\_\_ budgeted funding  
\_\_\_\_\_ and is consistent  
\_\_\_\_\_ with the completion  
\_\_\_\_\_ schedule deadlines  
\_\_\_\_\_ set by the federal  
\_\_\_\_\_ Department of  
\_\_\_\_\_ Transportation.

\_\_\_\_\_ (b) Each of the reports  
\_\_\_\_\_ required pursuant to  
\_\_\_\_\_ subdivision (a) for the  
\_\_\_\_\_ contracts described in that  
\_\_\_\_\_ subdivision shall also be  
\_\_\_\_\_ required with respect to  
\_\_\_\_\_ the contract scheduled to  
\_\_\_\_\_ be awarded in March 2017.  
\_\_\_\_\_ The authority shall submit  
\_\_\_\_\_ the reports for those  
\_\_\_\_\_ contracts no later than 60  
\_\_\_\_\_ days prior to advertising  
\_\_\_\_\_ for bids on each contract.

<b>STAFF COMMENTS</b>
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Staff recommends adopting the trailer bill language, as proposed. However, staff will continue to work with Legislative Council to codify the reporting requirements for the project instead of continuing to rely on uncodified language from the 2012 budget act to guide the project's reporting.

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**Staff Recommendation: Adopt Trailer Bill Language**

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**2740 DEPARTMENT OF MOTOR VEHICLE  
7730 FRANCHISE TAX BOARD****VOTE-ONLY ISSUE 31: TRAILER BILL RELATED TO TOLL COLLECTIONS**

The Subcommittee will consider Trailer Bill Language proposed by the Administration regarding the collection of collection of toll penalties.

**BACKGROUND**

The Governor's budget included a proposed Trailer Bill provision that would allow the Franchise Tax Board to collect toll penalties. Until recently, Franchise Tax Board collected toll penalty on behalf of the Department of Motor Vehicles, but this practice was discontinued when a question arose regarding whether the Franchise Tax Board has the appropriate authority for such collections.

**STAFF COMMENTS**

Adopting the proposed Trailer Bill would clarify that Franchise Tax Board can collect toll penalties for the Department of Motor Vehicles. Such clarity will allow the collection to begin again.

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**Staff Recommendation: Adopt Trailer Bill Language**

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## ITEMS TO BE HEARD

### VARIOUS DEPARTMENTS AND AGENCIES

#### ISSUE 1: ASSEMBLY CAP AND TRADE PROPOSAL

The Subcommittee will consider the Assembly plan for Cap and Trade.

#### BACKGROUND

The May Revision includes \$1.2 billion in additional Cap and Trade expenditure proposals, reflecting an additional \$1.7 billion in additional revenues anticipated from recent auctions.

The Subcommittee heard this issue on Monday, May 18, 2016.

#### STAFF COMMENTS

The Administration's May Revision proposal expands upon last year's spend plan—which reflected some key Assembly priorities. As a result, the overall plan is a good foundation for further discussions as the discussion transitions into the Budget Conference Committee process. Therefore, staff recommends approving the administration's plan, with a proposed \$500 million Greenhouse Gas Reduction Fund reserve.

However, the administration has been conservative in Greenhouse Gas auction revenue estimates. Today, May 21st, the State will participate in the fourth auction of the year and updated revenue numbers will likely be available before the budget is closed out. Staff believes that these revenue estimates will likely yield at least \$175 million in additional revenue that can be appropriated for other priorities. Therefore, staff recommends adopting a revised revenue estimate of \$175 million additional revenue.

Thus, the Subcommittee will have this additional funding to appropriate. Luckily, there is some room to approve on the Governor's plan with several targeted investments that build upon the Governor's framework. These improvements could include:

- \$50 million for biomass power generation grants provided by the California Energy Commission
- \$25 million for Active Transportation Grants, administered through Caltrans.
- \$25 million for a transit pass expansion grant program, administered by the Transportation Agency
- \$10 million in additional organics programs at CalRecycle.
- \$10 million for the river revitalization and greenway development, which will be housed in the Natural Resources Agency

- \$10 million for Biomethane collection and purification grants administered by the California Energy Commission.
- \$10 million to develop a loan-loss reserve to help underwrite additional financing for property assessed clean energy programs, administered by the State Treasurer
- \$8 million of community outreach to assist disadvantaged communities access Cap and Trade funding for programs the reduce greenhouse gas emissions.
- \$4 million for mosquito vector control activities the reduce greenhouse gas emissions through grants provided by the Department of Food and Agriculture.
- \$4 million for applied climate change research grants administered by the Strategic Growth Council.
- \$2.5 million for Adaptation funding at the California Coastal Commission.
- \$1.5 million for the Strategic Growth Council to begin a process of outreaching to Californians to raise awareness of activities that generate greenhouse gas emissions and provide tips on how citizens can reduce carbon emissions in their everyday activities and routines.

Adopting these additional appropriations, funded by the newly-identified revenue, would create an Assembly plan for Cap and Trade, which would then serve as the basis for conversation for Cap and Trade expenditures in the budget conference committee.

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**Staff Recommendation: Adopt the Governor's May Revision Cap and Trade Proposal, appropriate an additional \$175 million in Cap and Trade revenues for the program identified in the agenda and adopt placeholder Trailer Bill to allow this spending plan to move forward.**

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