

AGENDA**ASSEMBLY BUDGET SUBCOMMITTEE NO. 3 RESOURCES AND TRANSPORTATION****ASSEMBLYMEMBER RICHARD S. GORDON, CHAIR****MAY 31, 2012****8:30 A.M. – ROOM 437****CONSENT CALENDAR**

ITEM	DESCRIPTION	
3600	DEPARTMENT OF FISH AND GAME	
ISSUE 1	ELIMINATION OF COMMERCIAL SALMON REVIEW BOARD	1
3680	DEPARTMENT OF BOATING AND WATERWAYS	
ISSUE 1	PRIVATELY-OWNED RECREATIONAL MARINA LOANS	1
3790	DEPARTMENT OF PARKS AND RECREATION	
ISSUE 1	CAPITAL OUTLAY – HOLLISTER HILLS CONSTRUCTION	1
3960	DEPARTMENT OF TOXIC SUBSTANCES CONTROL	
ISSUE 1	CAPITAL OUTLAY – STRINGFELLOW NEW PRE-TREATMENT PLANT	1

VOTE-ONLY CALENDAR

ITEM	DESCRIPTION	
0540	SECRETARY FOR NATURAL RESOURCES	
3110	SPECIAL RESOURCES PROGRAMS (TAHOE REGIONAL PLANNING AGENCY)	
3125	CALIFORNIA TAHOE CONSERVANCY	
ISSUE 1	LAKE TAHOE ISSUES	2
3480	DEPARTMENT OF CONSERVATION	
ISSUE 1	HYDRAULIC FRACTURING REGULATIONS – CONFORMING ACTION	4
3790	DEPARTMENT OF PARKS AND RECREATION	
ISSUE 1	RE-APPROPRIATION: CAPITAL OUTLAY PROGRAMS	5
3940	STATE WATER RESOURCES CONTROL BOARD	
ISSUE 1	REORGANIZATION AND CONSOLIDATION OF REGIONAL WATER BOARDS	6

ITEMS TO BE HEARD

ITEM	DESCRIPTION	
3790	DEPARTMENT OF PARKS AND RECREATION	
ISSUE 1	ONGOING SUSTAINABLE FUNDING PROPOSAL	7
3860	DEPARTMENT OF WATER RESOURCES	
ISSUE 1	SALTON SEA RESTORATION	9
3900	CALIFORNIA AIR RESOURCES BOARD	
ISSUE 1	SENATE CAP AND TRADE PROPOSAL	11
ISSUE 2	ACCOUNTING OFFICE WORKLOAD: PROGRAM EXPENDITURE OVERSIGHT	13
3940	STATE WATER RESOURCES CONTROL BOARD	
ISSUE 1	LAHONTAN REGIONAL WATER QUALITY CONTROL BOARD – TAHOE ISSUES	15

CONSENT CALENDAR3600 Department of Fish and Game

Elimination of Commercial Salmon Review Board: On April 25, 2012, the Subcommittee held open the Governor's Budget proposal to eliminate the Commercial Salmon Review Board. The Board has a review and appellate function on commercial salmon issues. It would be imprudent to abolish the Board before providing for the transfer of these functions to the Fish and Game Commission.

Staff Recommendation: Reject Governor's Proposal to Eliminate Board

3680 Department of Boating and Waterways

Privately-Owned Recreational Marina Loans: The Governor's Budget proposes \$5 million (Harbors and Watercraft Revolving Fund) for construction loans to private marina owners for marina improvement projects statewide. The Subcommittee held this item open at its May 9th hearing.

Staff Recommendation: Approve as Budgeted

3790 Department of Parks and Recreation

Capital Outlay – Hollister Hills (Construction): The Governor requests \$5.9 million for Hollister Hills SVRA to provide improvements to basic infrastructure and visitor facilities.

Staff Recommendation: Approve as Budgeted

3960 Department of Toxic Substances Control (DTSC)

Capital Outlay – Stringfellow New Pre-Treatment Plant: The Governor's Budget requests \$7.8 million (capital funds) to reflect the final design estimate for the construction phase of the Stringfellow New Pre-Treatment Plant project. This new design includes costs related to inspection, material testing, special consultants, and a five-month increase in the estimated construction duration.

Staff Recommendation: Approve Governor's May Revision Proposal

VOTE-ONLY**0540 SECRETARY FOR NATURAL RESOURCES****3110 SPECIAL RESOURCES PROGRAMS (TAHOE REGIONAL PLANNING AGENCY)****3125 CALIFORNIA TAHOE CONSERVANCY****ISSUE 1: LAKE TAHOE ISSUES**

On May 23, 2012, the Subcommittee held open the adoption Senate budget bill language proposed to ensure continued collaboration in the Lake Tahoe Basin. The language below includes the Senate proposal and a new provision under Tahoe Regional Planning Agency (TRPA) (3110, 2, b, iv) to address concern that the Tahoe Science Consortium language could handicap University of California at Davis' work at Tahoe. The new provision makes Tahoe Environmental Research Center (TERC) at the University of California co-equal to the Tahoe Science Consortium (TSC) for the research activities TERC currently conducts. The language below also reflects the direction by the Subcommittee to have the Department of Parks and Recreation and the California Tahoe Conservancy enter into an agreement for the management and operation of Kings Beach State Park.

1. 0540 Natural Resources Agency

- a) The Natural Resources Agency shall, by September 1, 2012, in coordination with the Tahoe Conservancy and the Department of Parks and Recreation, complete an agreement to consolidate and exchange state lands, and to share personnel, facilities, and other resources to more efficiently manage state-owned land in the Tahoe basin. The agreement shall include, but not be limited to, the long-term consolidation and transfer of land from the Conservancy to State Parks at Van Sickle Bi-State Park, Washoe Meadows State Park, Emerald Bay State Park, and Burton Creek State Park, and from State Parks to the Conservancy at Ward Creek. The agreement shall also provide for an interim multi-year operating agreement and sharing of personnel to ensure that the transfer does not increase management costs to either State Parks or the Conservancy. The Department of Parks and Recreation and the California Tahoe Conservancy shall enter into an agreement for the management and operation of Kings Beach State Park and the adjoining public lands, including an apportionment of operating costs and future revenue generation opportunities. The North Tahoe Public Utility District shall be invited to participate in such an agreement.
- b) The Secretary, in consultation with the Attorney General, shall determine that the Regional Plan update is consistent with the compact and submit this to the relevant fiscal and policy committees by April 1, 2013.

2. 3110 Special Resources Programs (Tahoe Regional Planning Agency)

TRPA shall, by December 31, 2012:

- a) In coordination with the California Natural Resources Agency and the Nevada Department of Conservation and Natural Resources, establish 4-year measurable performance benchmarks for all of the implementation measures and programmatic provisions included in the 2012 Regional Plan Update; and,

- b) In coordination with the TSC, CARB, SWRCB, Caltrans, Fish and Game, Tahoe Conservancy, CAL FIRE, and other state and federal agencies, develop a comprehensive monitoring, evaluation, and reporting plan, including a scope, schedule, and budget for:
 - i) monitoring all environmental threshold standards;
 - ii) TSC review of the scientific basis of the threshold standards and indicators;
 - iii) TSC development of annual reports on the Regional Plan performance benchmarks and a 4-year report (with an independent peer review) on the status of the threshold standards. Both reports shall be independently issued by the Tahoe Science Consortium; and,
 - iv) *TSC shall obtain the concurrence of the TERC at the University of California, Davis, for all reports on Tahoe water clarity, limnology (and data from the TERC database), watershed processes, terrestrial ecology, and numerical water quality monitoring as well as all other areas for which TERC is presently conducting research in the Tahoe Basin.*

3. 3125 California Tahoe Conservancy

The Tahoe Conservancy shall, no later than February 15, 2013, prepare and submit an interagency cross-cut budget, including a summary of:

- a) Federal, State, local, and private expenditures in the preceding fiscal year to implement Environmental Improvement Program (EIP);
- b) Accomplishments in the preceding fiscal year to implement the EIP; and,
- c) The proposed budget for the projects and programs of each State agency involved in implementing the EIP.

Staff Recommendation: Adopt Budget Bill Language (BBL) Outlined Above

3480 DEPARTMENT OF CONSERVATION

ISSUE 1: HYDRAULIC FRACTURING REGULATIONS - CONFORMING ACTION

On May 9, the Subcommittee approved the Governor's Budget request of 18 permanent positions and a baseline appropriation of \$2,500,000 (\$2,292,000 ongoing) from the Oil, Gas, and Geothermal Administrative Fund to enhance onshore and offshore regulatory programs by improving its construction site review, environmental compliance, and underground injection control (UIC) programs. It also adopted budget bill language (BBL) regarding hydraulic fracturing regulations. The Senate Subcommittee #2 took a similar action on the BCP, but adopted slightly different BBL. As a conforming action, Senate and Assembly policy and budget staff are proposing the following BBL to replace the language approved by both Subcommittees:

1. On or before January 1, 2014, the Department shall adopt rules and regulations for the implementation of this division specific to hydraulic fracturing. The regulations shall include, but are not limited to, all of the following:
 - a. Advance public notice of hydraulic fracturing operations;
 - b. The contents and ingredients of the substances used in hydraulic fracturing and their impact on public health and safety;
 - c. The operations and maintenance of wells, including well location, fracture depth, the depth and extent of fracture, and reporting of well and well casing failures;
 - d. The tracking of the source, injection and disposal of hydraulic fracturing fluids, including any and the associated produced water; and,
 - e. The location of any known seismic faults within five miles of the well.
2. Develop a hydraulic fracturing database available for the public.
3. The well owner or operator shall be responsible for all hydraulic fracturing and related operations.

Staff Recommendation: Adopt Conforming BBL above

3790 DEPARTMENT OF PARKS AND RECREATION

ISSUE 1: RE-APPROPRIATION: CAPITAL OUTLAY PROGRAMS (MAY REVISE PROPOSAL)

The Governor requests the following capital outlay re-appropriations:

1. **Non-Off-Highway Vehicle Projects--\$16.9 million.** Requests re-appropriation of funds for ongoing capital projects within the State Parks system working drawings and construction. Examples of projects include restoration of buildings, completion of interpretive centers, environmental compliance, and recreational trails programs
2. **Off-Highway Vehicle and State Vehicular Area--\$15.2 million.** Requests re-appropriation of funds for the following projects: Prairie City State Vehicular Recreation Area (SVRA), Oceano Dunes SVRA, Opportunity Purchases, Carnegie SVRA, Hollister Hills SVRA.

Staff Recommendation: Approve Governor's May Revision Proposal with the following modifications: Request for appropriation of \$7.4 million in Prop 40 funds for new acquisitions is denied, but is approved instead for appropriation to Department of Parks and Recreation (DPR) for use for development projects in existing parks that will enhance visitation and have potential for increasing revenue generation for support of state parks. Fund expenditures to be tracked and accounted for by DPR as part of enterprise account per the Ongoing Sustainable Parks proposal discussed below.

3940 STATE WATER RESOURCES CONTROL BOARD

ISSUE 1: REORGANIZATION AND CONSOLIDATION OF REGIONAL WATER BOARDS

The Subcommittee approved the Governor's proposal to reduce the number of Regional Water Boards by merging two of the smaller existing regional water boards at its April 11th hearing. The proposal would also reduce the number of members on the boards from nine to seven. Due to concerns raised by stakeholders, the Administration has revised its trailer bill language to include the following:

- Conflict of Interest Rules. Current law prohibits regional board members from acting on proposals that involves the board member or any permittee where the board member has a position of authority or financial interest. The proposal had included language to conform the Water Code to the Political Reform Act as applies to all other state officials.
- Increased Per Diem for Regional Board Members. The proposal had included an increase in the per diem compensation from \$100 per day to \$500 per day, and an increase in the annual cap from \$13,500 to \$60,000. This was intended to address, among other issues, the time spent by board members evaluating complex permits during board deliberations, and to attract and retain quality board members.

Staff Recommendation: 1) APPROVE Trailer Bill Language with regard to conflict of interest rules. 2) DENY current regional board consolidation, per diem increase for board members, and appointment of chair by Governor. 3) Require the Water Board to submit a new proposal for reducing the number of regional boards, which demonstrates increased program efficiencies, to the Legislature by January 15, 2013.

ITEMS TO BE HEARD

3790 DEPARTMENT OF PARKS AND RECREATION

ISSUE 1: STATE PARKS AND RECREATION--ONGOING SUSTAINABLE FUNDING PROPOSAL
--

On April 25, 2012, the Subcommittee approved the Governor's revenue enhancing proposal for state parks. In order to provide a more comprehensive, long-term solution to parks funding, policy and budget staff in the Senate and Assembly developed the proposal below.

The following are a series of six specific proposals to address problems identified by the Department, the Legislative Analyst's Office (LAO), the Legislature, and the Administration.

- 1) Personnel structure at the Department restricts ability for the Department to direct peace officers to the highest priorities.

Solution: Add personnel classification to allow non-peace officers to administer certain non-law enforcement tasks. This proposal would be phased-in over a period of two years. The language shall be drafted as intent in order to accommodate the personnel administration process currently undertaken by the Department that compliments this action.

- 2) The Department should be collecting entrance fees in more locations and utilizing concession agreements in as many areas as practical.

Solution: In conjunction with Assembly Budget Committee and policy staff, modify the Department's reappropriation proposal from April to instead shift \$10 million from bond funds to pay for the capital costs of this proposal (including increasing park user fees and entrance fees) and other revenue generating projects. This would be deposited in a proposed Enterprise Fund. As part of this proposal, the Department shall develop a prioritized action plan to increase revenues and collection of user fees and report back to the Legislature on the plan by January 10, 2013.

- 3) Department needs more varied funding sources and Parks supporters need a more visible way to show support for the Department.

Solution: 1) Opt-In Fee: In coordination with the State Parks Foundation, Assembly Budget Committee and policy staff, and other stakeholders, considered alternatives to an opt-in fee for discussion in the 2013-14 budget cycle including such ideas as regional park passes and alternative ways to purchase annual parks passes. 2) Vehicle License Plates: In coordination with Assembly Budget Committee and policy staff, this language should be drafted per AB 1589 (Huffman).

- 4) According to a report by the Department in May 2011, at least 20 parks were put on the closure list in part due to water, wastewater, and septic system problems. Many of these are due to both aging facilities and increased visitor-ship beyond the capacity of these older systems.

Solution: Approve budget bill language appropriating \$10 million annually as long-term loans from the Clean Water Revolving Loan Fund for five years to replace the State Parks and Recreation Funding and to complement bond funding for water quality and septic system repairs. Recommend funding be prioritized to allow for re-opening of parks and directed to lower income areas to the extent possible.

- 5) Local nonprofits who step up to take over parks may be subject to additional liability risk, which could deter their efforts to help support State Parks.

Solution: Approve trailer bill language to extend limited liability coverage to local and nonprofit agencies who partner with State Parks to take over functions or management of parks or park properties.

- 6) Restrictive funding streams and categorical allocations reduce the flexibility of the Department to more creatively apply state dollars while maximizing both federal and local matching funds.

Solution: Local Assistance Funding: To address concerns raised by stakeholders, this item should be amended to allow for the shift of up to \$21 million from the Motor Vehicle Fuel Account prior to deposit into the Off-Highway Vehicle Trust Fund (OHVTF). The Local Assistance proposal should be reduced by \$11 million, and \$10 million should be made available from the OHVTF fund balance (currently projected at over \$60 million) for high priority law-enforcement related local assistance grants. The Department will be required to consult with the OHV Division prior to taking this action. This item also should sunset after three years.

The Department will explore to what extent funding from the AB 32 Cap and Trade funding may be appropriately used for restoration projects on Off-Highway Vehicle use lands (local assistance) in an amount up to \$10 million.

STAFF COMMENTS

The Senate Subcommittee #2 held two hearings on this proposal. Public testimony was taken on a number of issues. Concerns were raised regarding the idea of requiring the Department to reprioritize local assistance funding (including funding directed to local off-highway vehicle recreation areas) to maximize re-opening of all state parks. However, the Senate Subcommittee was also provided with multiple reports citing the loss of local funding and local business dollars should any one state park close. In addition, the Department has requested re-appropriation of funding for multiple state and local off-highway vehicle park projects that is not subject to reprioritization, and would keep the program moving for several years.

Staff Recommendation: Approve Ongoing Sustainable Funding Proposal for State Parks

3860 DEPARTMENT OF WATER RESOURCES

ISSUE 1: SALTON SEA RESTORATION

The Governor's Budget proposes:

1. \$9 million in reimbursement authority (\$7 million, Fiscal Year (FY) 2012-13, \$1 million FY 2013-14, and \$1 million FY 2014-15) for a continuation of previously approved Salton Sea Restoration Program. The requested resources would implement mitigation and conservation concepts and activities developed in the previously approved BCPs.
2. Elimination of the Salton Sea Restoration Council.

STAFF COMMENT

The Subcommittee held these items open at its March 28, 2012, hearing for several reasons. Previous staff comments suggested that if the Committee agrees that creating a new state department for the Restoration Council is inefficient, another governance structure should be chosen. To that end, AB 939 (V. Manuel Perez) seeks to create a governance structure for the Salton Sea. AB 939, currently in the Senate Natural Resources Committee, is not dependent on state funds, brings the decision making venue to the local level, and creates the opportunity for local and state agencies, as well as environmental groups and other stakeholders, to work collectively on restoration efforts at the sea.

Feasibility Study Proposal. Given the number of unanswered questions with regard to funding and long-term planning, staff proposes a \$2 million appropriation (Salton Sea Restoration Fund) be allocated to the Salton Sea Authority for a funding and feasibility study. The study would fill in the missing piece to the Sea's restoration plan by identifying potential funding sources and financing options to help determine financially sustainable restoration projects.

In the six years since the Programmatic Environmental Impact Report for Salton Sea Restoration was prepared, prolonged drought has impacted water supply assumptions, the recession has called into question the ability of the economy, and the state and federal governments, to sustain the robust restoration alternatives proposed by the Report. At the same time, new opportunities such as renewable energy development have arisen. Moreover, the funding plan called for by the QSA legislation has not been prepared. The result is that policy makers do not currently have a factual foundation for designing a restoration plan.

The proposed study would update the analysis in previous restoration planning efforts in light of current fiscal and environmental circumstances, coordinate with ongoing restoration related efforts, include new options (like renewable energy), and develop comprehensive funding strategies. The goal is to provide decision makers a reliable factual basis to answer two key questions: 1) What can realistically be done; and, 2) What is the best course of action given the limited funding that may be available in the foreseeable future?

The funding and feasibility study will be designed to address the following objectives:

- Evaluation of near-term habitat improvement measures that expand upon the State's current Species Conservation Habitat (SCH) project;
- Thorough review of the feasibility and cost of existing alternatives and their components;
- Identification of any other feasible options which may be incorporated to help fund the project such as renewable energy and desalination;
- Identification of components of existing alternatives that may be used in various combinations to form a near-term plan;
- Development of long-term strategies; and,
- Identification of funding and financing options.

The study would be guided by a Technical Advisory and Guidance (TAG) Team composed of experts from the Department of Natural Resources, the Salton Sea Authority member agencies, and environmental groups and completed in 12 months.

Financing a feasibility study has merit and could be an informative and necessary step forward, filling a gap left by the absence of a funding plan and reflecting the reality of current conditions. A new assessment of the situation is needed to lay out a range of feasible solutions.

Budget Change Proposal. Last year, the Legislature approved \$4.2 million reimbursement authority for the Salton Sea Restoration Program. Subsequently, the Subcommittee requested the Department of Water Resources and the Department of Fish and Game submit a report to the Legislature documenting expenditures from all fund sources and agency staff time by both departments on Salton Sea mitigation or restoration efforts since the inception of the Salton Sea Restoration Fund. In January, the Departments submitted their Joint Report to the Legislature detailing expenditures on the Salton Sea Restoration Program.

The Joint Report documents that \$32 million has been spent on the Program to date (\$6.2 million Salton Sea Restoration Fund [derived from contributions from local water agencies]; \$5.6 million Prop 84; and \$20 million Prop 50). The remaining balance in the Restoration Fund is \$23.7 million.

Given that there is only \$23.7 million remaining the in the Restoration Fund and that it does not appear that any of the \$32 million spent so far has gone toward the construction of actual habitat, staff recommends denying the current spending proposal until the funding and feasibility study has been completed.

Staff Recommendation: 1) APPROVE \$2 million (Salton Sea Restoration Fund) for a funding and feasibility study. 2) Conform with the Senate action to DENY \$9 million in reimbursement authority for a continuation of previously approved Salton Sea Restoration Program SCH Project. 3) APPROVE Governor's proposal to eliminate the Salton Sea Restoration Council.

3900 CALIFORNIA AIR RESOURCES BOARD (CARB)**ISSUE 1: SENATE CAP AND TRADE PROPOSAL**

On April 25, 2012, the Subcommittee took action to reject Budget Bill Control Section 15.11, which allows the Administration to expend up to \$1 billion from auction allowance proceeds with no fewer than 30-day notification to the Legislature. It also approved language, in concept, to authorize spending of Cap and Trade revenues for purposes of AB 32 GHG emissions reduction activities to achieve at least \$500 million in General Fund savings. Further, the Subcommittee stipulated that any additional expenditure related to GHG emissions reductions be made pursuant to future legislation.

The Senate Subcommittee #2 adopted identical language on April 25, 2012, but recently amended and expanded the language as follows:

1. APPROVE Trailer Bill Language (in concept):

- a. *(Government Code) There shall be created in the state treasury the Greenhouse Gas Reduction Fund as a separate Fund for the collection of monies derived from the sale of greenhouse gas emission allowances.*
- b. *Include findings that all expenditures related to Cap and Trade revenues must meet both AB 32 and Sinclair fee nexus.*
- c. *Absent legislation directing the use of Cap and Trade revenues in statute, the Administration shall submit on January 10, 2013, a proposed statute for the expenditure of funds under this item.*
- d. *The Department shall provide notice to the Joint Legislative Budget Committee of any funds over \$25,000 provided to the Western Climate Initiative, Western Climate Initiative, Inc., or its derivatives or subcontractors no later than 30-days prior to transfer or expenditure of these funds.*
- e. *No person employed by the State of California shall be a board member of the Western Climate Initiative, Inc., without approval by the California State Senate. Appointments shall be made by the Governor and subject to Senate approval.*
- f. *The State of California, California Air Resources Board, and California Environmental Protection Agency, including its contractors (specifically Western Climate Initiative, Inc.) shall not allow for linkage under the Cap and Trade program with any other state, province or sovereign nation until November 30, 2013, unless approved by the California Legislature in future statute.*
- g. *Additional reporting regarding the administrative record related to the expenditure of funds as determined by both the Assembly and Senate budget and policy committees.*
- h. *Direct the CARB and the California Public Utilities Commission, upon delivery of auction credits to the Investor Owned Utilities, to rebate any cap and trade revenues collected by the utilities (those off-budget funds) to be refunded to ratepayers in the form of a "climate dividend" rebate.*

2. APPROVE the following Control Section 15.11:

(a) Notwithstanding any other provision of law, the Director of Finance may allocate or otherwise use an amount of up to \$500,000,000 from monies derived from the sale of greenhouse gas emission allowances, which are deposited to the credit of the Greenhouse Gas Reduction Fund. These funds shall be available to support the regulatory purposes of AB 32.

(b) Not fewer than sixty days prior to allocating any funds pursuant to (a), the Air Resources Board and the Director of Finance shall submit a plan for the expenditure or use of the funds to the chairpersons of the committees in each house of the Legislature that consider appropriations and the Chairperson of the Joint Legislative Budget Committee for approval. This plan, in the judgment of the Board and the Director, shall provide for the expenditure of funds to assist in achieving the goal of reducing greenhouse gas emissions.

(c) The Director of Finance will not allocate funds until he or she has determined that sufficient cash has been deposited into the Greenhouse Gas Reduction Fund.

(d) Any Agency, board or department receiving funds from this item shall be required to demonstrate, through a series of duties, a strong administrative record to justify proposed expenditures.

(e) No funds in this item shall be used for the purposes of the development of a High-Speed Rail System for two years.

STAFF COMMENT

The Senate proposal calls for restricting auction linkages to other states and countries, Senate confirmation of board members of the Western Climate Initiative, Inc., (WIC) 30-day Joint Legislative Budget Committee notification of any funds over \$25,000 provided to WCI prior to transfer or expenditure, and directs Cap and Trade revenues collected by the Investor Owned Utilities (IOU) to be refunded to ratepayers in the form of a "climate dividend" rebate. While staff concurs with the need for greater transparency and accountability related to the Cap and Trade auction, the Senate and Assembly approach to these matters differs. Rather than a "climate dividend" rebate, staff supports ensuring that a percentage of IOU Cap and Trade revenue go toward clean energy projects that provide rate payer and tax payer benefit and result in measurable reductions in GHG emissions. The Legislature has pending legislation related to the expenditure of Cap and Trade revenue and there are a number of differences in approach that need to be worked out between the Houses.

Staff Recommendation: Informational Item

ISSUE 2: ACCOUNTING OFFICE WORKLOAD: PROGRAM EXPENDITURE OVERSIGHT

The Subcommittee held this item open at its May 9, 2012 hearing. To reiterate, the Governor requests \$939,000 (Various Special Funds) and 8 positions to support increased accounting workload and effectively support air quality and greenhouse gas reduction program efforts. This change will provide funding for increased Accounting Section workload to process, record and reconcile a significant number of new fiscal transactions related to the Cap and Trade Program and new programs authorized by the Legislature, including the Refrigerant Management Program and a new loan program authorized under existing truck and bus regulations.

While staff agreed that the workload associated with this BCP was justified, the Committee directed staff to work with CARB to develop a more transparent reporting system on AB 32 implementation work. To that end, the staff recommends program updates every six months summarizing key program activities. These updates and fiscal reports would complement the annual State Agency Greenhouse Gas Reduction Report Card prepared by the California Environmental Protection Agency in response to statutory direction as set forth in AB 1338, Statutes of 2008. In addition, fiscal and resource reports on AB 32 implementation by major program would also be submitted.

Scope of Bi-Annual Program Updates. Each update is anticipated to be less than 5 pages in length to highlight developments since the previous update and provide advance notice of anticipated major milestones. These developments may include Board hearings and release of significant documents, key support contracts, lawsuits, compliance milestones, and other actions that have the potential to substantially affect the success and effectiveness of the program. The scope of the program updates would include:

1. Significant activities related to CARB's greenhouse gas reduction measures (e.g., cap-and-trade, low carbon fuel standard, advanced clean cars, etc.).
2. Key developments on supporting activities such as updates to the AB 32 Scoping Plan, the AB 32 cost-of-implementation fee, cap-and-trade auction funds, coordination with entities outside of California like the Western Climate Initiative, and Senate Bill 375 sustainable communities plans.
3. The amount of cap-and-trade auction funds deposited into the Air Pollution Control Fund Subaccount and the balance in that account.

Scope of Fiscal Report. The *annual CARB fiscal report* is retrospective and is intended to quantify the major revenue and CARB expenses of the program for the prior fiscal year. The scope of the annual fiscal report would include:

1. The cost-of-implementation revenue, loans repaid, and overall CARB program expenses (staff, operations, and contracts) for the prior fiscal year.
2. The total cap-and-trade auction funds, a summary of the CARB expenditures, and the balance for the prior fiscal year.

Scope of Resource Report. The CARB *resource report* is intended to quantify the CARB staffing and operations expenses, as well as CARB contracts, by major program area. A prospective report with anticipated expenses would be submitted each spring. A retrospective report would be submitted each fall (with the annual fiscal report described above). The scope of the resources reports would include:

1. The breakdown would identify the CARB resources (staffing, operations, and contracts) that were used to support major program areas (e.g., cap-and-trade, low carbon fuel standard, and cost-of-implementation fee, update to AB 32 Scoping Plan). In addition, CARB would provide an estimate of the combined resources for the other climate change-related activities (e.g., implementation of adopted regulations, coordination with other agencies, etc.).

Schedule for Submittals. Spring submittal includes: 1) program update; and, 2) prospective resource report for upcoming FY. Fall submittal includes: 1) program update; 2) retrospective resource report for previous FY; and, 3) retrospective fiscal report for previous FY.

Staff Recommendation: 1) Approve Sprint Finance Letter; 2) Adopt Supplemental Report Language to require the CARB to submit to the Legislature AB 32 program updates every six months summarizing key program activities and annual fiscal and resources reports on AB 32 implementation by major programs as outlined above. The annual fiscal report should track and detail all expenses and revenues, including the following categories: all AB 32 costs; all Cap and Trade costs; Cool cars; low carbon fuel standards; Renewable Portfolio Standards; Green Building strategy; and Landfill methane capture; and, 3) Adopt TBL to require the Administration to include a budget display that separates out PYs and Funding requests for AB 32 related activities in the annual Governor's Budget.

3940 STATE WATER RESOURCES CONTROL BOARD

ISSUE 1: LAHONTAN REGIONAL WATER QUALITY CONTROL BOARD--TAHOE ISSUES

On May 23, 2012, the Senate Budget Subcommittee #2 approved budget bill language and Supplemental Reporting Language regarding the Lahontan Regional Water Quality Control Board.

Senate Analysis.

There is a need to coordinate and integrate the mandates of Tahoe's recently adopted bi-state Total Maximum Daily Load (TMDL) program with the Tahoe Regional Planning Agency's (TRPA) environmental threshold standards, and the goals of Tahoe's Environmental Improvement Program. The California Tahoe Conservancy and other federal, state, and local agencies responsible for implementing these mandates are developing a comprehensive implementation plan for the Tahoe TMDL and related EIP water quality and watershed restoration programs on the California side of the Tahoe basin. The plan includes:

- *A description of the roles and responsibilities of all responsible federal, state, and local land management and implementing agencies;*
- *A description of the key programs and projects necessary to meet the NPDES Permit requirements and associated TMDL load reduction targets for the forest, air and stream bank erosion sources along with EIP watershed and water quality goals;*
- *A financing strategy describing the levels of federal, state, and local funding expected to be available and necessary to implement the plan;*
- *A comprehensive monitoring and assessment program which may be developed in conjunction with TRPA or the Tahoe Science Consortium or other public agencies; and,*
- *A schedule to develop the appropriate methods and protocols to establish load reduction measures for floodplain management and other elements of stream restoration projects.*

Staff Comments. *The Lahontan Regional Water Quality Control Board is the lead agency responsible for establishing and developing near-shore water quality objectives under existing statute. However, when the original environmental reports, including the TMDL, were released it was not clear whether near-shore water quality was addressed sufficiently in the requirements. Rather than focus solely on deep water quality and clarity, the water board is also charged with near-shore water quality, particularly as it impacts human and environmental health. In order to ensure this is addressed, staff recommends the following draft budget bill language:*

The Lahontan Water Board shall, within 90 days of receipt of the above-described plan, establish a schedule for the development and adoption of near-shore water quality objectives to improve near-shore water quality conditions along with a comprehensive implementation strategy describing the nature of actions and associated timelines that will be necessary to implement the plan or its component parts.

In addition, given the sensitivity of the state's activities related to Lake Tahoe and the ongoing concerns about interactions with the planning and permitting agencies of both California and Nevada, staff recommends the following Supplemental Reporting Language related to Lake Tahoe:

To prepare for the possible eventuality of Nevada withdrawing from the Tahoe Regional Compact as set forth in Nevada Senate Bill 271 and instead establishing a Nevada Tahoe Regional Planning Agency, the California Research Bureau is directed to report to the Legislature by February 1, 2013 on the advisability and the necessary steps to be taken in case it is necessary for California to consider re-establishing the statutes that created the California Tahoe Regional Planning Agency in order to protect the economic growth and environmental attributes in the region.

Staff Recommendation: Adopt Budget Bill Language per Senate Staff Recommendation Above to Conform with Senate Action
