

# AGENDA PART 2

## ASSEMBLY BUDGET COMMITTEE NO. 3 RESOURCES AND TRANSPORTATION

ASSEMBLYMEMBER RICHARD BLOOM, CHAIR

WEDNESDAY, MAY 18, 2016

10:00 A.M. - STATE CAPITOL, ROOM 437

VOTE-ONLY CALENDAR		
ITEM	DESCRIPTION	
<b>3340</b>	<b>CALIFORNIA CONSERVATION CORPS</b>	
ISSUE 1	MAY REVISION TECHNICAL ADJUSTMENT	2
<b>3540</b>	<b>DEPARTMENT OF FORESTRY AND FIRE PROTECTION</b>	
ISSUE 2	EXCLUSIVE USE HELICOPTERS	2
<b>3600</b>	<b>DEPARTMENT OF FISH AND WILDLIFE</b>	
ISSUE 3	LOAN REPAYMENTS-OIL SPILL RESPONSE TRUST FUND	2
<b>3780</b>	<b>NATIVE AMERICAN HERITAGE COMMISSION</b>	
ISSUE 4	REAPPROPRIATION	3
<b>3790</b>	<b>DEPARTMENT OF PARKS AND RECREATION</b>	
ISSUE 5	EXTENSIONS OF LIQUIDATION	3
<b>3820</b>	<b>SAN FRANCISCO BAY CONSERVATION DEVELOPMENT COMMISSION</b>	
ISSUE 6	CO-LOCATION TO REGIONAL HEADQUARTERS	3
<b>3860</b>	<b>DEPARTMENT OF WATER RESOURCES</b>	
ISSUE 7	MAY REVISION LOAN PAYMENT DEFERRALS	4
<b>3940</b>	<b>STATE WATER RESOURCES CONTROL BOARD</b>	
ISSUE 8	MAY REVISION LOAN DEFERRALS	4
<b>3970</b>	<b>DEPARTMENT OF RESOURCES RECYCLING AND RECOVERY</b>	
ISSUE 9	SETTLEMENT FEES FOR PUBLIC SERVICE ANNOUNCEMENTS	4
<b>8570</b>	<b>DEPARTMENT OF FOOD AND AGRICULTURE</b>	
ISSUE 10	NETWORK OF CALIFORNIA FAIRS OVERSIGHT	5
ISSUE 11	ALTERNATIVE FUELS QUALITY AND OVERSIGHT PROGRAM	5
ISSUE 12	MEDICAL MARIJUANA REGULATION PROJECTS	5

<b>ITEMS TO BE HEARD</b>		
<b>ITEM</b>	<b>DESCRIPTION</b>	
<b>3940</b> <b>0555</b> <b>3900</b> <b>3930</b> <b>3970</b>	<b>STATE WATER RESOURCE CONTROL BOARD</b> <b>CALIFORNIA ENVIRONMENTAL PROTECTION AGENCY</b> <b>AIR RESOURCES BOARD</b> <b>DEPARTMENT OF PESTICIDE REGULATION</b> <b>DEPARTMENT OF RESOURCES RECYCLING AND RECOVERY</b>	
ISSUE 1	INTEGRATING ENVIRONMENTAL JUSTICE INTO DISADVANTAGED COMMUNITIES	7
<b>3940</b> <b>3960</b>	<b>STATE WATER RESOURCE CONTROL BOARD</b> <b>DEPARTMENT OF TOXIC SUBSTANCES CONTROL</b>	
ISSUE 2	REDUCING LEAD EXPOSURE	9
<b>3930</b> <b>3900</b>	<b>DEPARTMENT OF PESTICIDE REGULATION</b> <b>AIR RESOURCES BOARD</b>	
ISSUE 3	CALIFORNIA PESTICIDE MONITORING NETWORK	11
<b>3540</b> <b>3600</b> <b>3860</b> <b>8660</b>	<b>DEPARTMENT OF FORESTRY AND FIRE PROTECTION</b> <b>DEPARTMENT OF FISH AND WILDLIFE</b> <b>DEPARTMENT OF WATER RESOURCES</b> <b>PUBLIC UTILITIES COMMISSION</b>	
ISSUE 4	EMERGENCY DROUGHT RESPONSE	13
<b>3860</b> <b>3940</b>	<b>DEPARTMENT OF WATER RESOURCES</b> <b>STATE WATER RESOURCE CONTROL BOARD</b>	
ISSUE 5	DROUGHT PREPAREDNESS AND RESILIENCY FOR URBAN WATER AGENCIES	16
<b>3860</b>	<b>DEPARTMENT OF WATER RESOURCES</b>	
ISSUE 6	IMPLEMENTATION OF SUSTAINABLE GROUNDWATER MANAGEMENT	18
<b>3540</b>	<b>DEPARTMENT OF FORESTRY AND FIRE PROTECTION</b>	
ISSUE 7	HELICOPTER PROCUREMENT	20
<b>3790</b>	<b>DEPARTMENT OF PARKS AND RECREATION</b>	
ISSUE 8	CALIFORNIA HISTORY INTERPRETATION PILOT PROGRAM	22
<b>3900</b>	<b>AIR RESOURCES BOARD</b>	
ISSUE 9	MOTOR VEHICLE INSURANCE ACCOUNT ASSESSMENT (MVIA)	23
<b>3940</b>	<b>STATE WATER RESOURCE CONTROL BOARD</b>	
ISSUE 10	INCREASING STATUTORY LIMIT FOR SAFE DRINKING ACCOUNT EXPENDITURES	24
ISSUE 11	PUBLIC WATER SYSTEM CONSOLIDATION TRAILER BILL	26

## VOTE-ONLY ITEMS

### 3340 CALIFORNIA CONSERVATION CORPS

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#### VOTE-ONLY ISSUE 1: MAY REVISION TECHNICAL ADJUSTMENT

The Governor's May Revision proposes an increase of \$10,000 (Proposition 39) to provide for a technical adjustment for program delivery costs within the Energy Corps program that were inadvertently omitted when preparing the Governor's budget.

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**Staff Recommendation: Approve May Revision Proposal**

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### 3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION

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#### VOTE-ONLY ISSUE 2: EXCLUSIVE USE HELICOPTERS

Consistent with previous years, the May Revision requests \$10.4 million General Fund one-time in 2016-17 for exclusive use helicopter contracts and ground crew temporary help position authority. These resources will supplement CalFIRE's existing fleet on fire incidents as necessary during emergency operations throughout the State of California.

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**Staff Recommendation: Approve May Revision Proposal**

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### 3600 DEPARTMENT OF FISH AND WILDLIFE

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#### VOTE-ONLY ISSUE 3: LOAN REPAYMENTS-OIL SPILL RESPONSE TRUST FUND

The Governor's May Revision proposes a technical adjust to allow the department loan authority from the Renewable Resources Trust Fund to the Oil Spill Response Trust Fund in order to allow the department to repay the balance of the loan, \$3.5 million. The May Revision also requests to extend the repayment of \$35 million of the \$40 million Oil Spill Response Trust Fund transferred to the General Fund as a loan. Trailer bill language is included to release the obligation of the state Oil spill administrator to collect oil spill response fees otherwise required to maintain the fund balance and to update the required dates for the repayment of loans.

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**Staff Recommendation: Approve May Revision Proposal**

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**3780 NATIVE AMERICAN HERITAGE COMMISSION**

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**VOTE-ONLY ISSUE 4: REAPPROPRIATION**

The Governor's May Revision proposes reappropriation of \$997,000 (General Fund) to provide for the completion of a geographic database of California Environmental Quality Act agencies as they pertain to tribal boundaries. The database is required by AB 52 (Gatto), Chapter 532, Statutes of 2014. The reappropriation is required because the delays in hiring for these activities. The commission states that the positions are filled and the project can be completed within the reappropriation timeframe.

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**Staff Recommendation: Approve May Revision Proposal**

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**3790 DEPARTMENT OF PARKS AND RECREATION**

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**VOTE-ONLY ISSUE 5: EXTENSIONS OF LIQUIDATION**

The Governor's May Revision proposes to extend the liquidation period from June 30, 2016 to June 30, 2018 for two local assistance grants in the Habitat Conservation Fund Program that support the acquisition, enhancement, and development of animal habitats.

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**Staff Recommendation: Approve May Revision Proposal**

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**3820 SAN FRANCISCO BAY CONSERVATION (BCDC)**

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**VOTE-ONLY ISSUE 6: CO-LOCATION TO REGIONAL HEADQUARTERS**

The Governor's May Revision proposes funds to relocate BCDC offices into the Metropolitan Transportation Commission's new regional agency headquarters building in San Francisco at 375 Beale Street. This request requires a one-time augmentation of \$350,000 (General Fund) to provide funding for costs associated with BCDC's relocation to 375 Beale. BCDC does not have available funds for this co-location project, and is statutorily required to be located in San Francisco. This item has been heard multiple times in the subcommittee in 2014 and 2015.

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**Staff Recommendation: Approve May Revision Proposal**

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**3860 DEPARTMENT OF WATER RESOURCES**

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**VOTE-ONLY ISSUE 7: MAY REVISION LOAN PAYMENT DEFERRALS**

The Governor's May Revision proposes to defer repayment of (1) \$1.1 million General Fund Loan to the California Water Fund; and, (2) \$2.4 million (General Fund) to the Environmental Water Fund.

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**Staff Recommendation: Approve May Revision Proposal**

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**3940 STATE WATER RESOURCES CONTROL BOARD**

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**VOTE-ONLY ISSUE 8: MAY REVISION LOAN DEFERRALS**

The Governor's May Revision proposes deferral of a \$1.6 million General Fund loan to the Drinking Water Operator Certification Special Account until June 30, 2019.

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**Staff Recommendation: Approve May Revision Proposal**

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**3970 DEPARTMENT OF RESOURCES RECYCLING AND RECOVERY**

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**VOTE-ONLY ISSUE 9: SETTLEMENT FEES FOR PUBLIC SERVICE ANNOUNCEMENTS**

The Governor's May Revision proposes \$150,000 requests one-time increased authority of \$150,000 Integrated Waste Management Account to develop public service announcements regarding the proper handling and disposal of universal and household hazardous waste, including electronic waste. This funding is the result of a settlement agreement that specifies the use of these funds.

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**Staff Recommendation: Approve May Revision Proposal**

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## **8570 DEPARTMENT OF FOOD AND AGRICULTURE (CDFA)**

### **VOTE-ONLY ISSUE 10: NETWORK OF CALIFORNIA FAIRS OVERSIGHT**

The May Revision requests two permanent positions (one agricultural program supervisor and one attorney) and \$435,000 (Fair and Exposition Fund) in 2016-17 and \$392,000, ongoing, the Fairs and Expositions Branch to improve of the oversight of the activities of the 79 fairs (of which 77 are active) that make up the network of California fairs. The department workload includes supervision of fair meetings, legal counsel, and management of deferred maintenance funds.

### **VOTE-ONLY ISSUE 11: ALTERNATIVE FUELS QUALITY AND OVERSIGHT PROGRAM**

The May Revision requests \$1.1 million (Cost of Implementation Account, Air Pollution Control Fund) in 2016-17 and \$1.4 million, annually thereafter, to establish the Alternative Fuels Quality and Oversight Program to regulate alternative transportation fuels. The funds will support 5.8 existing, but unfunded, positions in 2016-17 and an additional 2.5 existing, but unfunded, positions annually thereafter.

### **VOTE-ONLY ISSUE 12: MEDICAL MARIJUANA REGULATION PROJECTS**

The May Revision requests \$2 million (Medical Marijuana Regulation and Safety Act Fund [MMRSAF]), one-time, be allocated in 2016-17 for project management and support services of the licensing and track and trace solutions. The specific categories and estimates may change as CDFA completes its market research and makes decisions (e.g. whether the solution will be Software as a Service or not). However, the current estimates are as follows:

<b>Workload</b>	<b>Cost Estimate</b>
Vendor's Hardware	\$750,000
Systems Integrator	\$250,000
Security Evaluation	\$50,000
Technical Lead	\$150,000
Quality Manager	\$50,000
Data Manager	\$240,000
Requirements/Test	\$240,000
Training	\$50,000
Architect	\$220,000
<b>Total</b>	<b>\$2,000,000</b>

The CDFA also requests budget bill language allowing for a one-time MMRSAF augmentation in 2016-17 upon approval of the Director of Finance and subject to a 30-day notification to the Joint Legislative Budget Committee. The provisional language will allow the CDFA to complete its market research and present its findings to the Director of Finance who will then determine the amount to be allocated and provide notification

to the Joint Legislative Budget Committee. The CDFA anticipates market research will be completed in the fall of 2016. Due to the short duration of the services (18 months) and the expertise needed with some of these positions, it is not feasible to hire state staff to perform these functions.

LAO recommends the Legislature adopt modified budget bill language that will require CDFA to report specific information regarding the proposed IT projects as part of the 30 day notification letter to the Chairperson of the JLBC. Doing so would provide the Legislature with key information to inform its review of the proposed augmentation.

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**Staff Recommendation: Approve May Revision Proposal with modified budget bill language as proposed by the LAO to require CDFA to report specific information regarding the proposed IT projects.**

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## ITEMS TO BE HEARD

**3940 STATE WATER RESOURCE CONTROL BOARD**  
**0555 CALIFORNIA ENVIRONMENTAL PROTECTION AGENCY**  
**3900 AIR RESOURCES BOARD**  
**3930 DEPARTMENT OF PESTICIDE REGULATION**  
**3970 DEPARTMENT OF RESOURCES RECYCLING AND RECOVERY**

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### ISSUE 1: INTEGRATING ENVIRONMENTAL JUSTICE INTO DISADVANTAGED COMMUNITIES

The May Revision includes \$904,000 (various special funds) and trailer bill language to make permanent a pilot project designed to reduce adverse environmental impacts in the most vulnerable communities in California. The proposal supports increased enforcement and compliance initiatives in more areas identified as disadvantaged in the state. The proposal is a collaboration proposal between the Office of the Secretary and four of its boards and departments (Air Resources Board (ARB), CalRecycle, Department of Pesticide Regulation (DPR), the State Water Board, and the Department of Toxic Substances Control). Specifically, the request is for six permanent full-time positions for a total of \$904,000 annually, to increase coordinated enforcement and compliance efforts in areas of the state disproportionately burdened by the greatest concentration of environmental hazards.

The resources requested through this proposal are intended to increase coordination among Cal-EPA boards and departments and with local, state, and federal regulatory and law enforcement agencies to facilitate compliance and enforcement efforts across all media (air, water, toxics, solid waste, and pesticides). The efforts of this team are intended to improve the involvement of disadvantaged communities in the decision-making processes that affect their health and local living conditions.

Specifically the proposal includes the following:

<b>Department</b>	<b>Request</b>	<b>Fund Source</b>
Air Resources Board	\$140,000 (1 position)	Air Pollution Control Fund
Department of Pesticide Regulation	\$140,000 (1 position)	Department of Pesticide Regulation Fund (Mill Assessment)
State Water Resources Control Board	\$140,000 (1 position)	Underground Storage Tank Cleanup Fund
CalRecycle	\$140,000 (1 position)	Multiple special funds
Cal-EPA	\$344,000 (2 positions)	Unified Program Account



**BACKGROUND**

In 2013, Cal-EPA created the Environmental Justice Compliance and Enforcement Working Group (Working Group) to more fully integrate environmental justice into enforcement of environmental laws across state departments. Through the Working Group, Cal-EPA and its boards and departments led pilot enforcement and compliance initiatives in two of the most environmentally burdened areas of the state, one in Fresno and another in the Boyle Heights and Pacoima neighborhoods in Los Angeles. The Working Group conducted community outreach, engaged local agency enforcement partners, conducted compliance assistance and inspections, and took actions to return regulated entities to compliance when violations were observed.

In addition to correcting violations discovered through inspections, the pilot programs created conditions that will lead to greater environmental compliance in the future and improved working relationships between the community and local, state, and federal regulatory agencies. These pilot projects demonstrate a need for permanent resources to continue and enhance enforcement and compliance activities in disadvantaged communities statewide.

**STAFF COMMENTS**

This proposal will enable the Working Group to expand its work of identifying disproportionately impacted areas for targeted compliance assistance and enforcement efforts to a full-time effort. The Subcommittee may wish to ask the Secretary the following questions:

- How will outcomes be measured and reported to the public for this new program and what reporting will be provided to the Legislature?
- How will the lessons learned from the Working Group be incorporated into the boards and departments enforcement programs to better improve outcomes for all communities?
- How will the Working Group identify which communities it will work in? Will the public be able to weigh into this decision if there are communities with impacts that are not reflected by CalEnviroScreen?

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**Staff Recommendation: Approve May Revision Proposal**

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**3940 STATE WATER RESOURCE CONTROL BOARD**  
**3960 DEPARTMENT OF TOXIC SUBSTANCES CONTROL****ISSUE 2: REDUCING LEAD EXPOSURE**

The Governor's May Revision includes two proposals to support lead-related programs administered by the Water Board and the Department of Toxic Substances Control:

- **Improved Monitoring and Reporting of Drinking Water**—\$480,000 (Safe Drinking Water Account) and two positions for the State Water Resources Control Board to: (1) develop and implement guidance documents based on the federal Lead and Copper Rule for public water systems and their customers, including local educational agencies and (2) address US EPA-identified deficiencies in State Water Resource Control Board reporting of public water system compliance with federal reporting requirements.
- **Lead Acid Batteries**—\$255,000 (Toxic Substances Control Account) and two positions for the Department of Toxic Substances Control to evaluate listing lead acid batteries as “priority products” subject to the Department’s Safer Consumer Products regulations. As part of the Hazardous Waste Reduction Initiative, the Department will conduct research, engage with stakeholders, evaluate options, and implement recommended actions to better protect the people and environment of California from adverse impacts related to the manufacture, use, recycling, and disposal of lead acid batteries. The request includes trailer bill language directing DTSC to revise its 2015-17 Priority Product Work Plan to include lead acid batteries for consideration and evaluation as a potential Priority Product.

**BACKGROUND**

Public health experts increasingly recognize that lead poisoning can occur at lower levels of exposure than previously understood. Children under age six are at the greatest risk—even low levels of exposure can cause irreparable damage to a child’s central nervous system and result in other developmental and behavioral problems. Children of low-income families are disproportionately exposed to lead poisoning.

Created in 1991, the Department of Public Health’s Childhood Lead Poisoning Prevention Program receives and analyzes children’s blood lead tests, provides public health nurse services related to lead exposure, works with health care providers to assure appropriate follow-up and medical services, and performs environmental investigations to assure remediation. The Legislature passed and Governor recently signed legislation, Chapters 9 and 10, Statutes of 2016 (SB 93 and AB 118) which provide a \$176.6 million General Fund loan to expedite the cleanup of residential properties contaminated with lead around the former Exide Technologies facility in Vernon. The first \$46.9 million of this funding is estimated to be expended by the end of 2016-17.

**Incomplete Quarterly Reporting of Required Public Water System Compliance Information.** In a letter sent to the State Water Resources Control Board, Division of Drinking Water, on January 29, 2016, the US EPA identified two specific areas of concern with the current inability of California to meet federal drinking water regulatory program requirements. The first component, an inability to meet federal requirements for onsite review of water systems, known as "sanitary surveys" was previously addressed in an April 1 Finance Letter.

The second component, addressed as part of this proposal, concerns improving California's ability to meet federal requirements for quarterly reporting of required public water system compliance information. Currently, the Division of Drinking Water (DDW) is only able to report approximately 30 percent of the data required by the US EPA with existing staff resources. There are currently three staff statewide responsible for this function. The program data needs have grown substantially over the past 15 to 20 years as additional drinking water regulations have been developed and implemented. The number of staff has not increased to address the growing data tracking and management needs. The new positions would be used to first address the specific data management needs related to lead and copper sampling while also working with existing staff to address the overall data management and tracking needs of the drinking water regulatory program.

<b>STAFF COMMENTS</b>
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In order to put the state fully into compliance with federal requirements for quarterly reporting, the state would need a total of four new positions. US EPA Region IX oversees Arizona, California, Hawaii, Nevada, Pacific Islands, and Tribal Nations. There are nine separate drinking water programs included in their oversight. California has the dubious distinction of trailing all but the Commonwealth of the Northern Mariana Islands in their data submissions and accuracy. The Subcommittee may wish to consider funding two additional staff to this proposal to ensure that, at a minimum, the state is fully compliant with US EPA requirements for drinking water reporting.

Staff has no concerns with the lead acid battery proposal.

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**Staff Recommendation: Hold Open**

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**3930 DEPARTMENT OF PESTICIDE REGULATION  
3900 AIR RESOURCES BOARD****ISSUE 3: CALIFORNIA PESTICIDE MONITORING NETWORK**

The Governor's May Revision requests \$2.3 million for the Department of Pesticide Regulation and the Air Resources Board to strengthen California's existing pesticide air monitoring network program. This request expands the current network of year-round pesticide air monitoring stations, enhances pesticide laboratory analysis capabilities, and resumes seasonal ambient pesticide monitoring to better evaluate the impact of pesticides on children's health and in disadvantaged communities.

Specifically, this proposal requests:

**DPR:** \$1,024,000 in 2016-17 and \$962,000 in 2017-18 from the Department of Pesticide Regulation Fund. Funding will be used to; (1) revise the site selection process to include the consideration of children's health (schools) and environmental justice (EJ) factors; (2) increase the number of communities being monitored from 6 to 8; (3) increase the number of pesticides and time periods monitored; and (4) conduct three intensive seasonal monitoring studies each year. This request includes \$62,000 for one-time purchases for DPR supplies, services, and equipment; a \$70,000 DPR contract for sampling remote site(s), a \$100,000 DPR contract to improve the sampling and laboratory methods, and a \$548,000 DPR contract with CDFA for additional laboratory analyses.

**ARB:** \$1,314,000 in 2016-17 and \$596,000 in 2017-18 for a two year limited term. Of the 2016-17 requested funds, \$715,000 in one-time equipment purchases and \$136,000 in maintenance expenses will be funded by civil penalty revenues from the Air Pollution Control Fund. Of the 2017-18 requested funds, \$136,000 in maintenance expenses will be funded by civil penalty revenues from the Air Pollution Control Fund. The Department of Pesticide Regulation Fund will cover the remainder of the Air Resources Board's costs in 2016-17 (\$463,000) and 2017-2018 (\$460,000). The requested funds will be used to expand the current network of year-round pesticide air monitoring stations, enhance pesticide laboratory analysis capabilities, and resume seasonal ambient pesticide monitoring in environmental justice communities. This proposal includes provisional language specifying that Air Pollution Control Fund civil penalties can be used for the one-time equipment and maintenance costs.

**BACKGROUND**

California's pesticide air monitoring network is currently comprised of six sites that are monitored year round by the DPR and the ARB for various fumigant pesticides. ARB has also conducted seasonal ambient studies for DPR, most recently to determine the effects of DPR's chloropicrin mitigation measures implemented in 2015.

Although the combination of seasonal and year-round air monitoring has done much to improve the understanding of health risks associated with pesticide application, the pesticide air-monitoring network is still a limited monitoring network compared to other networks for ozone and fine particulates.

Compared with adults, children are more susceptible to the effects of pesticide exposure. Because of the potential public health risks to children, the California Environmental Health Tracking program examined the use of pesticides near public schools in the top 15 counties by agricultural pesticide use in 2010. They found pesticides of public health concerns were applied within 1/4 mile of approximately 900 schools in 15 counties. Their Agricultural Pesticide Use Near Public Schools in California (2014) report found, among other things, that:

- "The top 5% of schools with any pesticide use nearby (45 schools attended by over 35,000 students) had amounts of pesticides applied within 1/4 mile ranging from 2,635 - 28,979 pounds."
- "Hispanic children were more likely to attend schools near the highest use of pesticides of public health concern."

Although the report indicates that children in schools near areas of high pesticide use may be exposed to pesticides in air, it also indicates that its results cannot be used to predict possible health impacts. Future air monitoring and exposure assessment efforts are needed to evaluate health impacts.

The results of current monitoring show a need to expand monitoring because detected concentrations for two pesticides exceed health-screening levels or DPR's regulatory target concentrations. Additional monitoring sites would better characterize the variability in air concentrations and provide additional data to estimate air concentrations for areas not included in the current monitoring.

#### **STAFF COMMENTS**

This proposal will enable DPR to fill in data gaps regarding schoolchildren's exposure to pesticides by expanding the scope of the current year-round pesticide-monitoring network from six to eight sites. These steps will enable DPR to better assess risk in more of California's communities, especially in environmental justice areas, which already bear a disproportionate share of the air pollution burden.

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**Staff Recommendation: Approve May Revision Proposal**

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**3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION****3600 DEPARTMENT OF FISH AND WILDLIFE****3860 DEPARTMENT OF WATER RESOURCES****8660 PUBLIC UTILITIES COMMISSION****ISSUE 4: EMERGENCY DROUGHT RESPONSE**

The Governor's May Revision purposes the following additional resources and reductions for emergency drought response:

**Department of Forestry and Fire Protection:** \$11 million (General Fund) to assist in the removal and disposal of trees in high hazard areas. This includes \$6 million for grants to local entities and funding for the California Conservation Corps to provide support for local efforts to remove hazardous trees that pose a threat to public health and safety. It also includes \$5 million to support additional miscellaneous equipment and personnel overtime. The May Revision also includes \$10,441,000 and 22 temporary help positions to provide for a contract for exclusive use helicopters for firefighting.

**Department of Fish and Wildlife:** \$4.2 million (General Fund) on a one-time basis for actions to benefit Delta smelt. This includes \$2 million for: (1) an adaptive management pilot project to promote food production where Delta smelt are known to occur, and (2) a restoration design plan to restore intertidal habitat near the confluence of the Sacramento and San Joaquin rivers. It also includes \$1.8 million to complete Delta-wide mapping of aquatic weeds to increase weed control in critical Delta smelt areas, and to assess the effectiveness of such control action in improving habitat quality. Finally, the proposal requests \$400,000 for: (1) development of non-lethal monitoring of Delta smelt distribution, and (2) a pilot project using new technologies for turbidity monitoring to further refine data on smelt location and movement during periods of conflict with water pumps. Funding for these efforts will be redirected from other drought response efforts originally proposed in the Governor's Budget, but no longer necessary. Specifically, the proposal seeks a decrease of \$4.2 million (General Fund) to reflect improved conditions in the north, reducing the necessity for fish rescues and water infrastructure and conveyance improvements.

**Department of Water Resources:** \$5 million General Fund for the Department of Water Resources to provide emergency drinking water support for small communities, including addressing private wells. Decreases \$42 million General Fund from the Governor's Budget to reflect that removal of salinity barriers in the Delta will not be needed in the fall of 2016. Reappropriates approximately 31 million in funds from various support appropriations from prior years to support the planning, permitting, and installation of emergency drought barriers in the spring of 2017 if conditions warrant. Decreases \$3 million General Fund from the Save Our Water Campaign to reflect the reduced need for a statewide campaign this year.

**Public Utilities Commission:** To accelerate the utilization of biomass materials for energy production in high hazard fire zones, proposes trailer bill language to allow small biomass facilities to defer certain system interconnection costs.

#### BACKGROUND

The years from 2012 to 2015 were the driest four consecutive years on record in California. The winter of 2015-16 brought welcome storms to Northern California, but the southern half of the state remains dry. Although the state's major northern reservoirs—Shasta, Oroville, and Folsom—all have higher-than-average storage levels for this time of year, storage in southern state reservoirs continues to lag. San Luis Reservoir—a key supplier to urban Southern California and the San Joaquin Valley—holds only half its average storage this time of year, and less than it held a year ago. These conditions serve as another reminder that it will take more than one wet year to erase the impacts of a multi-year drought that include dry wells in rural communities, fallowed farmland, heightened wildfire risks, and degradation of important ecosystems.

The Governor's Budget proposed an additional \$323.1 million to continue the state's emergency response to the drought, with the expectation that the Administration would continue to monitor and evaluate statewide drought conditions through the winter months and reevaluate budget-year needs. The May Revision proposes an additional \$11.4 million, for a total of \$334.5 million, for emergency drought response, based on current drought conditions.

**Tree Mortality.** Aerial surveys show an estimated 29 million trees have died as a result of the drought and effects of bark beetle infestation. This is an increase of more than 800 percent from 2014. These dead and dying trees make forests more susceptible to destructive wildfires and pose public safety risks from falling trees for residents living in rural, forested communities. The Department of Forestry and Fire Protection (CAL FIRE) has already identified Kern, Fresno, Madera, Mariposa, Tulare, and Tuolumne counties as high hazard zones. In October 2015, the Governor issued an emergency declaration directing state and local entities, as well as utilities, to remove dead and dying trees that threaten power lines, roads, structures, and critical community infrastructure.

**Delta Smelt.** Delta smelt have experienced extremely poor habitat conditions during the last four years of unprecedented drought. Consequently, populations of smelt are at historic lows, and the scientific community has begun to assess the viability of the species. Delta smelt function as an indicator species for the overall health of the Delta's ecosystem. This winter's increase in rainfall, the state's existing aquatic weed control program, and recent advances in non-lethal means for monitoring Delta smelt provide an opportunity to accelerate habitat improvement and aggressively reduce other stressors for Delta smelt.

**Local Assistance for Small Communities.** During FY 2015-16, DWR has been successful in collaborating with other agencies to leverage other federal, State, and local resources to address short-term emergency water supply needs and develop infrastructure that supports drought resiliency. For the communities and individuals that rely on small rivers, streams, and groundwater, water supply conditions continue to degrade in many areas as the drought persists and some short-term solutions are not cost effective. This request provides for direct support to address cost effective long-term solutions for drinking water shortages in several communities identified to have this critical water shortage need. These include the communities of East Porterville, Kettleman City, Orange Center/Daleville, Okieville, Hardwick, Cantua Creek, El Porvenir, and other communities that have identified critical water supply needs.

<b>STAFF COMMENT</b>
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Staff is generally supportive of the May Revision proposals to address current needs and amending down various costs to focus efforts on emerging issues. The Subcommittee may wish to ask the Administration the following questions about the various proposals:

- How are the proposed activities for helping Delta smelt being coordinated with other, similar activities the state is funding?
- How is the invasive weed proposal coordinated with efforts that have already been funded through California State Parks, Division of Boating and Waterways?
- The proposal redirects \$4.2 million this subcommittee already approved for drought response activities, including monitoring vulnerable fish populations. Why does the Department believe certain drought-response activities will no longer be needed in 2016-17, given the disappointing El Nino winter and all that has been emphasized about environmental stressors, compromised habitats, and continuing drought conditions?
- With regard to the PUC trailer bill, how would the proposed changes affect the non-bioenergy projects that continue to be subject to the existing interconnection requirements?

On April 27, 2016, the Subcommittee held a hearing on access to safe drinking water. The Subcommittee heard from the SWRCB and stakeholders about efforts being made to effectively support and provide resources to the water systems that serve the two percent of consumers who do not receive safe drinking water. The SWRCB reported that approximately 45,000 people in disadvantaged and severely disadvantaged communities are being served by 139 small public water systems that are in violation of one or more primary maximum contaminant levels of contaminants such as arsenic, hexavalent chromium, disinfection by-products, and nitrates. The Subcommittee may wish to ask the Administration if the additional \$5 million General Fund to provide emergency drinking water support for small communities is sufficient to address the pressing safe drinking water crisis facing many small disadvantaged communities.

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**Staff Recommendation: Hold Open**

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**3860 DEPARTMENT OF WATER RESOURCES**  
**3940 STATE WATER RESOURCE CONTROL BOARD****ISSUE 5: DROUGHT PREPAREDNESS AND RESILIENCY FOR URBAN WATER AGENCIES**

The Governor's May Revision proposes \$4.5 million (General Fund) for a coordinated effort by the Department of Water Resources (DWR) and the Water Board to review and update local water shortage contingency plans, develop recommendations for new water use efficiency targets, and establish a permanent urban water use efficiency data tracking system, consistent with the directives of the most recent executive order. Specifically, resources will be directed as follows:

**DWR:** \$4.26 million to support 2.5 existing full-time positions, consultant contracts, and technical assistance for statewide, local, and regional urban water use efficiency programs to improve urban water conservation and data transparency; and

**Water Board:** \$240,000 to develop and implement the proposed recommendations and a legislative proposal.

**BACKGROUND**

Californians have responded to the drought by conserving water at significant levels, reducing water use in communities by 23.9 percent between June 2015 and March 2016, and saving enough water during this period to provide 6.5 million Californians with water for one year. On May 9, 2016, the Governor issued an executive order directing the State Water Resources Control Board to adjust its emergency water restrictions to account for this winter's snow and rain. While drought conditions have improved in many parts of the state, California needs to improve water conservation continuously to become more resilient in future droughts.

DWR is currently implementing a number of urban water conservation statutes including the Urban Water Suppliers Best Management Practices Act of 1990 (AB 2661), Water Conservation Act of 2007 (AB 566), the Amended Urban Water Management Planning Act of 2007 (AB 1420), and SB X7-7. Similarly, the Board implements emergency conservation requirements for urban water suppliers pursuant to Executive Order B-29-15, including standard setting and collection, review, and analysis of monthly water use data.

**STAFF COMMENT**

This proposal includes \$3 million to collect remote sensing data on outdoor landscapes at every parcel (residences, parks, etc.) across the state. The Subcommittee may wish to ask why this parcel-level data is necessary. Could the state use sample data or regionally maintained data to estimate the amount of landscape by region instead?

Existing law sets a goal of reducing water use by 20 percent by 2020. The Governor's recent Executive Order suggests the state will set new targets for each water agency across the state. The Subcommittee may wish to ask the Department how it plans to implement this executive order and what process will be used for establishing new targets.

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**Staff Recommendation: Hold Open**

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**3860 DEPARTMENT OF WATER RESOURCES****ISSUE 6: IMPLEMENTATION OF SUSTAINABLE GROUNDWATER MANAGEMENT**

The Governor's May Revision has two proposals related to sustainable groundwater management:

- **Groundwater Sustainability Agency (GSA) Facilitation**—\$1 million (General Fund) to support local public agencies with facilitation services as they implement the Groundwater Act. In an ongoing effort by the Department of Water Resources and the Water Board, these funds will support efficient formation of groundwater sustainability agencies by water districts, counties, cities, and other local groups.
- **Statewide Agricultural Land Use Data**—\$1 million (General Fund) to support the use of remote sensing technology to establish statewide agricultural land use data.

**BACKGROUND**

Two years ago, the state adopted historic legislation to manage groundwater sustainably. The Sustainable Groundwater Management Act (SGMA) recognized that groundwater management is most successful when done locally. In the high and medium-priority basins, local government sustainability agencies need to be formed by June 30, 2017. Effective governance structures are urgently needed to implement the Groundwater Act.

In FY 2015-16, DWR provided approximately \$1 million in facilitation support services to eleven distinct water management areas across California. DWR has identified an additional 15 water management areas and \$1,000,000 in facilitation support need that cannot be met within existing program resources. All other work activities related to this proposal are covered by existing program funding including staff resources needed to work with local public agencies to apply for facilitation support services and reviewing applications.

DWR is legislatively mandated to update the California Water Plan every five years. DWR develops estimates of annual agricultural, urban and environmental water use for each update. Data collected through land and water use surveys is essential information needed for the California Water Plan Update, which is a primary statewide water planning effort, and regional water management. GSAs will now have a critical need for agricultural land use information on an annual basis to support development of water budgets required by SGMA. This request creates a framework to integrate the analysis of digital satellite imagery (remotely sensed data) into the land use survey program in support of SGMA. This proposal would allow DWR to evaluate water budgets that will be provided by GSAs.

**STAFF COMMENTS**

This proposal would permit DWR to provide facilitation support services to 10-20 local public agencies with the goal of forming a groundwater sustainability agency under SGMA. It is in the State's interest to provide facilitation services support to local agencies to efficiently form GSAs before the June 30, 2017, deadline in the legislation because the State will be required to manage groundwater in basins lacking an effective GSA.

Effectively implementing SGMA will require investment in the facilitation of GSA planning and information development, which these items would support. However, DWR has not explained how it will incorporate agricultural land-use data from the Department of Food and Agriculture and from other state and local resources, which could reduce the costs of a comprehensive system. Just as SGMA requires collaboration among water agencies in the same basin, the Subcommittee may wish to consider requiring DWR to collaborate with other state and local agencies that have agricultural land-use information in developing its database.

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**Staff Recommendation: Approve May Revision Proposal. Adopt budget bill language directing DWR to collaborate with other state and local agencies that have agricultural land-use information in developing its database.**

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**3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION****ISSUE 7: HELICOPTER PROCUREMENT**

The Governor's May Revision proposes \$12 million (General Fund) to purchase one helicopter in 2016-17, pending an accepted winning bid. The proposal contains budget bill language which specifies that CAL FIRE will, at least 30 days prior to contract award, provide the Legislature with the helicopter model being procured, the per unit cost, procurement cost by fiscal year, and when the aircraft will be delivered. After this information has been reviewed by the Legislature, additional requested budget bill language would then allow another augmentation to start the capital outlay process. This proposal will initiate the multi-year process of replacing CAL FIRE's aging fleet of 12 helicopters.

**BACKGROUND**

There is an urgent and immediate need to replace the aging, increasingly expensive and hard-to-maintain fleet of Vietnam-era UH-1H helicopters (CAL FIRE Super Huey). These former military aircraft were acquired as free assets in 1990, through the Federal Excess Property Program (FEPP) and upgraded to firefighting aircraft by CAL FIRE (then CDF) from 1991 to 1998. The need to replace this fleet of 40+ year-old helicopters has been well documented by an independent panel of experts commissioned by the Governor.

The January Governor's Budget assumption of having a spring budget request for FY 2016-17 and an accompanying multi-year budget request has not materialized given the changes to the procurement schedule. As is the case in this helicopter procurement, the State's procurement and budget processes often times do not fully align. In light of this, the May Revision removes the January Governor's Budget \$100 million General Fund placeholder and requests a Budget Act appropriation of \$12 million General Fund within a separate budget item of appropriation. According to the proposal, a full budget request for FY 2017-18 and beyond will be submitted with the Governor's Budget in January 2017.

**STAFF COMMENTS**

Staff has no concerns with this proposal. The \$12 million represents a reasonable starting appropriation amount, in recognition that the amount will need to be augmented once the specified information is provided to the Legislature. Staff anticipates that the department will present a proposal in the 2017-18 budget cycle with details including long-term capital outlay costs, staffing and operations costs, and projected decreases in maintenance costs related to the helicopter procurement.

LAO recommends the Legislature require the department to report at budget hearings on the possible range of total fleet replacement costs, including ancillary costs associated with capital outlay, operations, and staffing. Second, the LAO recommends modifying the proposed language to provide some limits on the augmentations that the administration would be authorized to make. Specifically, the LAO recommends that the language be clarified to limit augmentations to those costs associated with the procurement and operation of one helicopter - which reflects the number assumed to be purchased in 2016-17. Finally, the LAO recommends that the language be modified to limit augmentations for capital costs to those for acquisition and preliminary plans given the lack of information provided on likely future capital improvement costs necessary to support the new fleet.

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**Staff Recommendation: Approve May Revision Proposal with LAO suggested modifications noted above.**

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**3790 DEPARTMENT OF PARKS AND RECREATION**

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**ISSUE 8: CALIFORNIA HISTORY INTERPRETATION PILOT PROGRAM**

The Governor's May Revision proposes an increase of \$348,000 (State Parks Protection Fund) to fund a two-year pilot project to develop and implement an innovative approach to improving public interpretation through a new collaborative partnership with the University of California at California Citrus State Historic Park and El Presidio de Santa Barbara State Historic Park.

**BACKGROUND**

According to the Department, the pilot program's purpose is to identify, analyze, develop, and test structures, curriculum, practices, and partnerships for establishing and stewarding an enhanced interpretation and education program system-wide. This improved framework will make park interpretation as culturally relevant and inclusive to as many visitors as possible and, in doing so, institutionalize inherent opportunities for civic dialogue and engagement within the state park system.

The ultimate goal is to develop a program framework for integrating applied scholarship through partnerships with California's public higher education systems that can be taken to scale throughout the state park system. Such programs could then be expanded to other historical and cultural programs, as well as to other academic programs customized for the needs of each individual park, region, or community across the state.

**STAFF COMMENTS**

According to the Department, a successful pilot project will establish the foundation for a new model for interpretation of California's history and culture through state parks. The Department plans to seek expansion of this project through partnerships and philanthropic support.

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

- What other pilot programs are being considered to increase cultural and historical awareness in state parks?
- Was a request for proposals issued for this pilot program? What other entities would be interested in such a project?
- How will the department evaluate the effectiveness of this pilot program and with what criteria?

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**Staff Recommendation: Hold Open**

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## **3900 AIR RESOURCES BOARD**

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### **ISSUE 9: MOTOR VEHICLE INSURANCE ACCOUNT ASSESSMENT (MVIA)**

The Governor's May Revision requests \$2 million one-time expenditure authority from the Air Pollution Control Fund (APCF) to reimburse Office of Risk Management (ORIM) for a payment made by Department of General Services (DGS) on behalf of the Air Resources Board (ARB) for a \$10 million judgement associated with a car accident in 2011.

#### **BACKGROUND**

Because the state is self-insured, when traffic accidents occur, DGS pays any settlements or judgements from the MVIA, fund 0026. Pursuant to the State Administrative Manual, DGS pays the first \$1 million liability per accident. All state agencies pay annual premiums to ORIM. When a settlement or a judgement is made against the state concerning an automobile accident, ORIM pays the settlement of judgement and the affected department reimburses the MVIA the amount in excess of \$1 million.

In 2011, an ARB employee was involved in an accident that resulted in a \$10 million judgement against the state. DGS increased the MVIA assessment for ARB beginning in 2012-13, and in each subsequent year through 2016-17. The 2016-17 MVIA assessment is \$3.6 million, or \$2.0 million above the 2015-16 assessment. Per DGS, this is the final payment for the liability for this accident. The MVIA increases now exceed the amount ARB is able to absorb within its existing expenditure authority for the APCF. Thus, ARB requests a one-time increase to make this final payment. ARB also requests that Budget Bill language be adopted specifying that Air Pollution Control Fund penalty revenues be used for this purpose. The State is appealing the case and the outcome will not be known until midyear.

#### **STAFF COMMENTS**

Since the amount to be paid is under appeal and therefore it is not certain that the full \$10 million will be necessary, the Subcommittee may wish to ask the Administration why it is making payments before there is a ruling on the appeal.

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**Staff Recommendation: Hold Open**

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**3940 STATE WATER RESOURCE CONTROL BOARD****ISSUE10: INCREASING STATUTORY LIMIT FOR SAFE DRINKING ACCOUNT EXPENDITURES**

The Governor's May Revision includes proposed trailer bill that will increase the cap to \$38 million for 2016-2017 on the amount of funds received for the State Water Board's administration of the California Safe Drinking Water Act to account for the additional fund sources and program expenditures in the Governor's Budget.

The proposed trailer bill would amend the Amend Health and Safe Code Section 116590 as follows:

(a) Funds received by the state board pursuant to this chapter shall be deposited into the Safe Drinking Water Account that Account, which is hereby established, and shall be available for use by the state board, upon appropriation by the Legislature, for the purpose of providing funds necessary to administer this chapter. Funds in the Safe Drinking Water Account shall not be expended for any purpose other than as set forth in this chapter.

(b) A public water system may be permitted to may collect a fee from its customers to recover the fees paid by the public water system pursuant to this chapter.

(c) The total amount of funds received for state operations program costs to administer this chapter for fiscal year 2016–17 shall not exceed ~~thirty million four hundred fifty thousand dollars (\$30,450,000)~~ thirty eight million fifty eight thousand dollars (\$38,058,000) and the total amount of funds received for administering this chapter for each fiscal year thereafter shall not increase by more than 5 percent of the amount received in the previous fiscal year plus any changes to salary, benefit, and retirement adjustments contained in each annual Budget Act.

(d) This section shall become operative on July 1, 2016.

**BACKGROUND**

SB 83 (Committee on Budget and Fiscal Review), Chapter 24, Statutes of 2015, established a statutory cap for 2016-2017 on the amount of funds received for the State Water Board's administration of the California Safe Drinking Water Act. The amount of the cap was set at \$30.4 million. The amount of the cap was incorrectly calculated and did not take proper account of all the sources of funds used to support the administration of the California Safe Drinking Water Act, nor did it account for additional program costs to satisfy statutory obligations.

Specifically, the proposal requests to change the Drinking Water Program Cap in statute from \$30.45 million to \$38.058 million. The cap includes both the fee portion of the program (the Safe Drinking Water Account) and the federal support portion of the program (the Federal Trust Fund and the Public Water System Support grant from USEPA). The reasons and calculations behind this increase include:

- The \$30.45 million 2016-17 cap adopted in SB 83, the 2015-16 Omnibus Resources Trailer bill, was calculated using FY15-16 data, which was the only information available at the time. The estimated amount of the federal support funding provided by the Department of Public Health was significantly different than what was eventually provided by USEPA.
- As a result of these differences the current 2015-16 FY cap is lower than budgeted 2015-16 expenditures. Detailed internal tracking of expenditures indicates that the current year program expenditure is currently approximately \$35.5 million. To fund the 2015-16 budgeted expenditures, the SWRCB is using unliquidated obligation funds that came with the Drinking Water program for the 2015-16 over-expenditure. These unliquidated obligation funds will be fully spent this year, and not available in future years.
- Approximately \$6.931 million in additional authority is required to address increases in Pro Rata adjustments, employee compensation, retirement and various budget change proposals that were passed by the Assembly and Senate budget subcommittees this year that augment the program, including the May revise proposal for lead and copper that is still pending.

Safe Drinking Water Account (Jan 10, 2016)	\$15.937 million
Adjustments Due to BCPs, etc.	\$6.931 million
Revised Federal Support Amounts	\$15.19
Revised Total Cap Amount Total	\$38.058 million

#### STAFF COMMENTS

The current statutory cap is artificially low and will severely hamper the drinking water program. Staff concurs that the trailer bill language is necessary to continue program delivery as required by the budget.

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**Staff Recommendation: Approve May Revision Proposal**

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**ISSUE 11: PUBLIC WATER SYSTEM CONSOLIDATION TRAILER BILL**

The Governor proposes trailer bill language related to the consolidation of failing water systems which:

- Addresses the “donut hole” where certain failing water systems are located within a city. Allows the State Water Board to order consolidation where a disadvantaged community, within a city but served by a separate small water system serving 5-14 residences, consistently fails to provide safe drinking water.
- Provides similar authority to address non-community water systems, such as schools and labor camps, serving disadvantaged communities located in cities.
- Allows what are often the most economical consolidations to proceed, because these are water systems already surrounded by infrastructure for an existing public water system.
- Maintains existing financial and legal protections for the public water systems that would be ordered to consolidate with a failing system.

**BACKGROUND**

SB 88 (Committee on Budget and Fiscal Review), Chapter 27, Statutes of 2016, provided new, limited authority for the State Water Board to order consolidation of failing water systems. The limited authority provides a mechanism for the State Water Board to ensure safe, reliable drinking water where an existing water system is unable to do so and the failing system can be economically consolidated with a nearby system. The new authority has enabled the State Water Board to commence consolidation of several failing water systems, and one consolidation will be complete in June 2016.

The State Water Board has encountered circumstances when the consolidation authority is unavailable, but consolidation makes public health and economic sense. The present authority does not allow the State Water Board to order consolidation when a disadvantaged community lies within a city and is served by a small failing system. A common example is a mobile home or trailer park located within a city, but served by its own well and distribution system. Similarly, the consolidation authority is not available to address unsafe water served by certain schools, labor camps, and institutions located within a city.

**STAFF COMMENTS**

Staff concurs with the concern that there is a gap in the ability of the state to facilitate water interconnections. Staff recommends approving the proposal as a placeholder in order for the Legislature and public to review the proposed language (posted on the Department of Finance website) through conference committee.

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**Staff Recommendation: Approve place-holder trailer bill language**

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