

AGENDA

ASSEMBLY BUDGET COMMITTEE NO. 3 RESOURCES AND TRANSPORTATION

ASSEMBLYMEMBER RICHARD BLOOM, CHAIR

WEDNESDAY, MARCH 26

9:00 A.M. - STATE CAPITOL ROOM 447

VOTE-ONLY CALENDAR		
ITEM	DESCRIPTION	
3540	DEPARTMENT OF FORESTRY AND FIRE PROTECTION	
ISSUE 1	PUBLIC RECORDS ACT REQUEST COMPLIANCE	2
ISSUE 2	FIRE SAFETY, FIRE RETARDANTS, AND BUILDING INSULATION	2
ISSUE 3	CAPITAL OUTLAY: BADGER FOREST FIRE STATION - REPLACE FACILITY	2
ISSUE 4	CAPITAL OUTLAY: SOUTH OPERATIONS AREA HEADQUARTERS-RELOCATE FACILITY	2
3860	DEPARTMENT OF WATER RESOURCES	
ISSUE 5	DELTA WATER QUALITY IMPROVEMENT PROGRAM STATE OPERATIONS	3
ISSUE 6	AGRICULTURAL DRAINAGE WATER IN THE SAN JOAQUIN RIVER	3
ISSUE 7	IMPLEMENTATION OF THE DELTA STEWARDSHIP COUNCIL'S DELTA PLAN	3
ISSUE 8	CERES ENVIRONMENTAL LICENSE PLATE FUNDS (ELPF) REDIRECTION FOR NEW POSITIONS	3
3875	SACRAMENTO-SAN JOAQUIN DELTA CONSERVANCY	
ISSUE 9	IMPLEMENTATION OF THE DELTA PLAN	4
3940	STATE WATER RESOURCES CONTROL BOARD	
ISSUE 10	401 WATER QUALITY CERTIFICATION PROGRAM COMPLIANCE MONITORING	5
ISSUE 11	GAMA PROGRAM FUND SHIFT	5
ISSUE 12	DEPARTMENT OF DEFENSE FUND SHIFT FROM FEDERAL FUND AUTHORITY TO REIMBURSEMENT	5
ISSUE 13	TECHNICAL BOND ADJUSTMENTS	5
ISSUE 14	FUND SHIFT FOR THE SWPCRF ADMINISTRATIVE FUND	5
ISSUE 15	UNDERGROUND STORAGE TANK CLEANUP FUND — EXPIRATION OF THE TEMPORARY FEE INCREASE	5
ISSUE 16	UNDERGROUND STORAGE TANK PETROLEUM CONTAMINATION ORPHAN SITE CLEANUP FUND — TECHNICAL ADJUSTMENTS	5
ISSUE 17	TECHNICAL ADJUSTMENT — SWAMP ADMINISTRATION, QUALITY ASSURANCE, QUALITY CONTROL AND DATA MANAGEMENT	6

ITEMS TO BE HEARD		
ITEM	DESCRIPTION	
INFORMATIONAL	DROUGHT UPDATE	7
ISSUE 1	PANELISTS	
3860	DEPARTMENT OF WATER RESOURCES	
ISSUE 1	CLIMATE CHANGE PORTION OF MULTI-BENEFIT PLANNING AND FEASIBILITY STUDIES	8
ISSUE 2	WATER USE EFFICIENCY PROGRAM	10
ISSUE 3	WORKPLACE SAFETY PROGRAM	11
ISSUE 4	STATEWIDE GROUNDWATER ELEVATION MONITORING PROGRAM	12
3940	STATE WATER RESOURCES CONTROL BOARD	
ISSUE 1	REORGANIZATION OF THE DRINKING WATER PROGRAM <ul style="list-style-type: none"> • PROP 50 AND 84 DRINKING WATER PROGRAM FUNDING • AB 21 IMPLEMENTATION 	13
ISSUE 2	GROUNDWATER RESOURCE PROTECTION	16
3540	DEPARTMENT OF FORESTRY AND FIRE PROTECTION	
ISSUE 1	CAP-AND-TRADE - FIRE PREVENTION AND URBAN FORESTS	18
ISSUE 2	SRA PROTECTION ADJUSTMENT	21
ISSUE 3	FIREWORKS DISPOSAL/MANAGEMENT	23
3885	DELTA STEWARDSHIP COUNCIL	
ISSUE 1	IMPLEMENTATION OF THE DELTA PLAN	26

VOTE-ONLY**3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION**

VOTE-ONLY ISSUE 1: PUBLIC RECORDS ACT REQUEST COMPLIANCE

The Governor's Budget requests \$416,000 in permanent funding and two positions (SRA Fund) for additional finance and legal staff to coordinate and respond to a significant increase in the number of Public Records Act requests.

VOTE-ONLY ISSUE 2: FIRE SAFETY, FIRE RETARDANTS, AND BUILDING INSULATION

The Governor's Budget requests \$253,000 (Building Standards Administration Special Revolving Fund) in one-time funding to implement AB 127 (Skinner), Chapter 579, Statutes of 2013, related to flammability standards for building insulation materials, including whether the standards for some materials require the use of chemical retardants.

VOTE-ONLY ISSUE 3: CAPITAL OUTLAY: BADGER FOREST FIRE STATION - REPLACE FACILITY

The Governor's Budget requests a supplemental appropriation of \$1.18 million (Public Buildings Construction Fund) to replace the one-engine Badger Forest Fire Station.

VOTE-ONLY ISSUE 4: CAPITAL OUTLAY: SOUTH OPERATIONS AREA HEADQUARTERS-RELOCATE FACILITY

The Governor's Budget proposes \$4.05 million (Public Buildings Construction Fund) to relocate the South Operations Headquarters to the March Air Reserve Base.

STAFF COMMENTS

Staff has no concerns with issues 1-4.

Staff Recommendation: Approve as Budgeted Issues 1-4

3860 DEPARTMENT OF WATER RESOURCES

VOTE-ONLY ISSUE 5: DELTA WATER QUALITY IMPROVEMENT PROGRAM STATE OPERATIONS

The Governor's Budget proposes a reversion of the remaining balance of approximately \$1.8 million of State Operations funds related to Proposition 84 to establish an annual appropriation of \$250,000 for fiscal years 2014-15 through 2019-20. These funds will be used for administering \$40 million in local assistance grants for projects at Franks Tract or other locations in the Delta to reduce salinity or other pollutants at agricultural and drinking water intakes.

VOTE-ONLY ISSUE 6: AGRICULTURAL DRAINAGE WATER IN THE SAN JOAQUIN RIVER

The Governor's Budget proposes a multi-year request of \$37.5 million (\$930,000 for state operations to support existing positions and \$36.6 million in Proposition 84 local assistance) for implementing projects that reduce or eliminate discharges of subsurface agricultural drainage water from the San Joaquin Valley for the purpose of improving water quality in the San Joaquin River and the Delta.

VOTE-ONLY ISSUE 7: IMPLEMENTATION OF THE DELTA STEWARDSHIP COUNCIL'S DELTA PLAN

The Governor's Budget requests a baseline program increase of \$153,000 for distributed overhead and one position to facilitate the department's work associated with implementation of the Delta Plan.

VOTE-ONLY ISSUE 8: CERES ENVIRONMENTAL LICENSE PLATE FUNDS (ELPF) REDIRECTION FOR NEW POSITIONS

The Governor's Budget proposes three positions for the California Environmental Resources Evaluation System Program (CERES) and a transfer of \$380,000 in ELPF to provide environmental and scientific data and technology services and support.

STAFF COMMENTS

Staff has no concerns with issues 5-8.

Staff Recommendation: Approve as Budgeted Issues 5-8.

3875 SACRAMENTO-SAN JOAQUIN DELTA CONSERVANCY

VOTE-ONLY ISSUE 9: IMPLEMENTATION OF DELTA PLAN

The Governor proposes one position (federal funds, reimbursement authority) for implementation of the Delta Plan near-term actions in priority areas. The Conservancy is designated as a primary state agency for ecosystem restoration and economic development in the Delta.

STAFF COMMENTS

Staff has no concerns with this proposal.

Staff Recommendation: Approve as Budgeted

3940 STATE WATER RESOURCES CONTROL BOARD**VOTE-ONLY ISSUE 10: 401 WATER QUALITY CERTIFICATION PROGRAM COMPLIANCE MONITORING**

The Governor's Budget requests \$983,000 and 10 positions (Waste Discharge Permit Fund) to address recommendations made by the California State Auditor regarding the need for more consistent compliance monitoring and improved project record keeping.

VOTE-ONLY ISSUE 11: GAMA PROGRAM FUND SHIFT

In support of the Water Action plan, the Governor's Budget requests \$3 million in on-going additional Waste Discharge Permit Fund (WDPF) spending authority to support the implementation of the Groundwater Ambient Monitoring and Assessment (GAMA) Program's Priority Basin Project to replace the soon to be exhausted bond funds. The additional spending from the WDPF would require the Water Board to increase permit fees for discharges of waste that affect groundwater. The Urgency Drought Relief Package, SB103, accelerated \$1.2 million of this request. The remaining \$1.8 million is currently before the Committee.

VOTE-ONLY ISSUE 12: DEPARTMENT OF DEFENSE FUND SHIFT FROM FEDERAL FUND AUTHORITY TO REIMBURSEMENT

The Governor proposes a shift of \$3.9 million for 19.1 positions at \$3.4 million and \$500,000 from Federal Trust Fund spending authority to Reimbursement spending authority to continue the ongoing oversight of cleanup activities at U.S. Department of Navy facilities.

VOTE-ONLY ISSUE 13: TECHNICAL BOND ADJUSTMENTS

The Governor proposes several technical bond adjustments in Propositions 13, 40, 50, and 84.

VOTE-ONLY ISSUE 14: FUND SHIFT FOR THE SWPCRF ADMINISTRATIVE FUND

The Governor requests a permanent fund shift of \$3.6 million in state operation authority and seven existing positions from the Federal Capitalization Grant to the State Water Pollution Control Revolving Fund Administration Fund (CWSRF Administrative Fund).

VOTE-ONLY ISSUE 15: UNDERGROUND STORAGE TANK CLEANUP FUND — EXPIRATION OF THE TEMPORARY FEE INCREASE

The Governor's Budget proposes a decrease of \$48 million in State Operations from the Underground Storage Tank Cleanup Fund due to the expiration of the temporary storage fee increase.

VOTE-ONLY ISSUE 16: UNDERGROUND STORAGE TANK PETROLEUM CONTAMINATION ORPHAN SITE CLEANUP FUND — TECHNICAL ADJUSTMENTS

The Governor's Budget requests two technical adjustments to the Fund.

VOTE-ONLY ISSUE 17: TECHNICAL ADJUSTMENT — SWAMP ADMINISTRATION, QUALITY ASSURANCE, QUALITY CONTROL AND DATA MANAGEMENT

The Governor proposes 12 positions (Federal U.S. EPA Clean Water Act, Section 106 grant) to manage the Surface Water Ambient Monitoring Program (SWAMP). This proposal does not require additional funding as it redirects existing contract funds currently used for this purpose.

STAFF COMMENTS

Staff has no concerns with issues 10-17.

Staff Recommendation: Approve as Budgeted Issues 10-17

ITEMS TO BE HEARD

DROUGHT UPDATE

The passage of the Urgency Drought Relief Package earlier this month was the first step in addressing some of the State's immediate and long-term needs related to the drought emergency. Today, the Subcommittee will get an update on the drought and actions taken to date, as well as hear from panelists about additional actions the state may consider.

PANEL I

Mark Cowin, Director, Department of Water Resources

Brendan Murphy, Deputy Director of Finance and Administration, Office of Emergency Services

PANEL II

Ellen Hanak, Senior Fellow, Public Policy Institute of California

Anton Favorini-Csorba, Legislative Analyst's Office

Staff Recommendation: Informational Item

3860 DEPARTMENT OF WATER RESOURCES

The Department of Water Resources (DWR) protects conserves, develops, and manages California's water. The Department evaluates existing water resources, forecasts future water needs, and explores future potential solutions to meet ever-growing needs for personal use, irrigation, industry, recreation, power generation, and fish and wildlife. The Department also works to prevent and minimize flood damage, ensure the safety of dams, and educate the public about the importance of water and its proper use.

Fund Source	2012-13 Actual	2013-14 Projected	2014-15 Proposed	BY to CY Change	% Change
General Fund	\$91,596	\$100,241	\$100,947	\$706	1%
DWR Electric Power Fund	937,775	988,555	956,368	(32,187)	(3)
Greenhouse Gas Reduction Fund	0	0	20,000	20,000	
Bond Funds	289,235	1,438,167	684,364	(753,803)	(52)
Other	922,063	1,332,882	1,761,589	428,707	32
Total Expenditure	\$2,240,669	\$3,859,845	\$3,503,268	(\$356,577)	(9%)
Positions	3,232.70	3,495.70	3,468.70	(27)	(1)

The Budget includes \$3.5 billion (\$100.9 million General Fund) and 3,468.7 positions for support of the Department. Reductions in bond expenditures are due to the near depletion of available bond funds. DWR's budget contains a significant portion of the Budget's \$618.7 million in expenditures related to the Governor's California Water Action Plan (CWP).

The CWP, unveiled in October 2013, is the Administration's vision for a five-year approach to water policy. The plan addresses multiple water challenges facing the state, including limited and uncertain water supplies, poor surface and groundwater quality, impaired ecosystems, and the high risk of flooding. The Urgency Drought Relief Package, passed by the Legislature and signed by the Governor on March 1, 2014, accelerated the appropriation of \$569.5 million of CWP expenditures, including \$472.5 million for Integrated Regional Water Management (IRWM) grants, \$77 million for FloodSAFE, and \$20 million for water-efficiency activities promoting GHG emission reductions.

ISSUE 1: CLIMATE CHANGE PORTION OF MULTI-BENEFIT PLANNING AND FEASIBILITY STUDIES

The Governor's Budget requests \$1.2 million in reversions and new appropriations from Proposition 84 to continue the Climate Change Evaluation and Adaption Program.

BACKGROUND

DWR has a lead role in identifying and evaluating the effects of climate change on California's water supplies. Climate change has already reduced the volume of California's snowpack – California's largest "reservoir" – and these changes are expected to continue in the future, with their rate likely to increase over time.

This funding will support 2.8 existing positions to conduct evaluations of current and projected climate change impacts on the State's water supply and flood control systems, and identify potential system redesign alternatives and other adaptation responses to climate change.

STAFF COMMENTS

This proposal is a modest step towards advancing the discussion about important regionally appropriate climate change adaptation measures for the various threats to the water sector from climate change, such as sea-level rise, higher flood risk, and potentially longer droughts.

Staff Recommendation: Approve as budgeted

ISSUE 2: WATER USE EFFICIENCY PROGRAM

The Governor's Budget proposes a three-year appropriation of \$5 million (Proposition 84 and 50) for continued water conservation activities, water recycling, water desalination, and water demand evaluation activities in support of the California Water Plan (CWP). In addition, the Governor's Budget requests \$400,000 (Proposition 50) for desalination grants.

BACKGROUND

Water use efficiency is an essential catalyst to help reduce water use through conservation, which in turn provides significant energy and environmental benefits, and can help reduce GHG emissions. Water recycling and water desalination activities and grants help to develop these reliable alternatives, which augment water supply and improve water quality.

Water is a public resource that the California Constitution protects against waste and unreasonable use. SB X7-7 (Steinberg), Statutes of 2009, requires all water suppliers to increase water efficiency. Specifically, it requires each urban retail water supplier to develop urban water use targets to help achieve the goal of 20 percent reduction in urban per capita water use in the state by the end of 2020. It also requires implementation of specified efficient water management practices for agricultural water suppliers.

The funding in this proposal will help accomplish the following SB X7-7 activities: review approximately 450 urban water management plans for compliance with the per capita water use targets; develop guidelines for agricultural water suppliers to prepare agricultural water management plans; establish statewide targets for use of recycled water, desalinated water, and urban stormwater runoff; and update agricultural efficient water management practices.

STAFF COMMENTS

Given the drought emergency, this proposal is a high priority for the State. The activities funded in this request align with Legislative direction and are essential to the state's ability to weather the current and future droughts.

Staff Recommendation: Approve as Budgeted

ISSUE 3: WORKPLACE SAFETY PROGRAM

The Governor's Budget proposes \$3.95 million from various funds to support 23 new positions for establishing a comprehensive Safety System to reduce accidents and injuries at all department locations throughout the state and ensure uniformity and compliance with federal, State, and local regulatory requirements.

BACKGROUND

DWR was created in 1956 to plan, design, construct and oversee the building of the nation's largest state-built water development and conveyance system. In addition to operating the State Water Project, DWR has a wide variety of duties, many of which put employees at risk.

In February 2007, DWR lost two employees in a fatal diving accident at the SWP's Dos Amigos Pumping Plant at the San Luis Field Division. Many other serious incidents and "close calls" occurred before and since these incidents.

Of particular safety concern is the State's aging water infrastructure. The SWP had a projected 40-year life expectancy in 1960. Fifty-plus years later, DWR facilities require ever increasing amount of up-keep. Due to a backlog of maintenance, staff is often forced to operate in crisis-management mode. This puts employees at increased safety risk and puts DWR and the State at increased risk of regulatory fines.

In 2011, the Department started putting into place a comprehensive Safety System in order to minimize the risks not only to employees, but also contractors and cooperating agencies. DWR has completed Phases 1 and 2 of the Safety System, which included a safety assessment for every DWR location. One of the major steps recommended was establishment of a DWR Safety Office. This proposal contains the positions and funding necessary to accomplish that goal.

STAFF COMMENTS

DWR current Safety Office consists of two positions, overseeing the safety of 3,200 DWR employees in facilities spread throughout the state. Given the increased safety concerns associated with maintaining SWP's aging water infrastructure, this proposal seems prudent. Funding this request should decrease accidents and injuries, as well as reduce the state's liability.

Staff Recommendation: Approve as Budgeted

ISSUE 4: STATEWIDE GROUNDWATER ELEVATION MONITORING PROGRAM

The Governor's Budget requests \$13.8 million (General Fund) in multi-year funding to support the continued implementation of the Statewide Groundwater Elevation Monitoring (CASGEM) Program and create the Online Well Completion Report Submission System to replace the current method of accepting only paper copies of well completion reports.

BACKGROUND

Groundwater basins are the state's largest reservoir, ten times the size of all its surface reservoirs combined. In an average year, groundwater provides 30 percent of California's water supply and much more in dry periods. Eighty percent of Californians rely, at least in part, on groundwater for their drinking water, and some cities and rural areas rely entirely on groundwater. When managed sustainably, groundwater can provide a crucial buffer against drought. While some areas of the state, regional and local agencies manage groundwater well, in other areas, groundwater overdraft is causing subsidence, permanent reductions in underground storage capacity, seawater intrusion and other water quality problems, and environmental damage.

The CASGEM program, started in 2010, collects groundwater elevations in all 515 alluvial groundwater basins to facilitate collaboration between local monitoring entities and DWR. Implementation of the CASGEM Program will cease after FY 2013-14 unless funding is provided. The program relies on local agencies to voluntarily monitor and report groundwater elevations. Not all of the basins have been monitored and data submitted to date is insufficient to conduct meaningful analysis in many areas. DWR staff continues to encourage local agencies to conduct and submit the data, as well as to develop a basin prioritization tool that will be used to focus DWR efforts on the highest priority basins.

STAFF COMMENTS

Groundwater resources are a critical part of the state's water supply. Sound groundwater management will lead to improved reliability and sustainability of this vital resource. Continued implementation of the CASGEM program will improve our understanding of groundwater resources and lead to improved groundwater management.

Staff Recommendation: Approve as budgeted

3940 STATE WATER RESOURCES CONTROL BOARD

The State Water Resources Control Board (SWRCB or Board) and the nine Regional Boards preserve and enhance the quality of California's water resources and ensure proper allocation and effective use. The Governor's Budget proposes \$1 billion (\$22.6 million General Fund) and 1,864.1 positions for support of the Board. Decreases in the Underground Storage Tank Cleanup Fund are the result of aligning authority with the sunset of a fee increase. The increase in the General Fund appropriation is due to the transfer of the Drinking Water Program to the Water Board (\$5 million) and the Water Action Plan's groundwater protection proposal (\$1.9 million), discussed below. The large increase in Federal Funds and bond appropriation is also due to the drinking water reorganization. The reduction in Underground Storage Tank Cleanup Funds reflects the sunset of the temporary storage fee increase (discussed below).

Fund Source	2012-13 Actual	2013-14 Projected	2014-15 Proposed	BY to CY Change	% Change
General Fund	\$14,540	\$15,008	\$22,647	\$7,639	51%
Federal Funds	209,899	144,352	295,545	151,193	105
Underground Storage Tank Cleanup Fund	233,891	281,522	233,206	(48,316)	(17)
Waste Discharge Permit Fund	100,480	109,928	116,040	6,112	6
State Water Pollution Control Revolving Fund	(215,440)	(2,682)	(2,682)	0	0
Bond Funds	32,744	133,288	182,346	49,058	37
Other	77,110	101,328	165,610	64,282	63
Total Expenditure	\$453,224	\$782,744	\$1,012,712	\$229,968	29%
Positions	1,496.20	1,510.40	1,864.10	354	23

ISSUE 1: REORGANIZATION OF THE DRINKING WATER PROGRAM

The Governor's Budget proposes to transfer 291 positions and \$202 million for the administration of the Drinking Water Program (DWP) from the Department of Public Health (DPH) to the State Water Resources Control Board (SWRCB or Water Board). In addition, the budget includes a one-time increase of \$1.8 million in 2014-15 for moving expenses and IT consolidation. With the exception of the one-time transition expenditures, the proposed transfer is budget-neutral.

Two proposals related to the reorganization plan include:

- Prop 50 and 84 Drinking Water Funding.** The Governor's Budget requests \$110.3 million (\$1.7 million Prop 50, \$108 million Prop 84) local assistance appropriation and \$209,000 State Operations appropriation for continuation of two limited-term positions through June 30, 2016 along with reversion and encumbrance liquidation authorization language. Of this local assistance appropriation, \$64.3 million will be obligated towards grants and loans for public water systems to meet safe drinking water standards and \$46 million will serve as the state match required to receive federal Safe Drinking Water Act funding. Currently, the DPH is the state agency responsible for overseeing the appropriation of grants and loans for infrastructure improvements to public water systems (PWS) and related actions to meet safe drinking

water standards under the federal Safe Drinking Water Act (SDWA). Under this proposal, these duties would be transferred to the SWRCB.

- **AB 21 Implementation.** The Governor's Budget request \$93,000 and one position (General Fund) to promulgate rulemaking packages and develop other guidance documents related to AB 21 (Alejo), Chapter 628, Statutes of 2013, and to implement the program established by the bill. AB 21 established the Safe Drinking Water Small Community Emergency Grant Fund (Emergency Grant Fund) and authorizes DPH to charge a fee in lieu of interest on loans issued through the Safe Drinking Water State Revolving Fund. Fees charged in lieu of interest would be deposited into the fund and used for grants that serve disadvantaged and severely disadvantaged communities in the event of an emergency. Trailer bill language will transfer of all statutory authority related to administering this program from DPH to the SWRCB.

BACKGROUND

The DPH administers and oversees various programs that address health issues, such as chronic disease prevention, communicable disease control, environmental health, and inspection of health facilities. The department's DWP regulates 7,900 public water systems, defined as privately or publicly owned water systems that serve more than 15 service connections or 25 people. The DPH directly regulates some public water systems in California, including all systems with more than 200 service connections. It does so utilizing two field operations branches and 23 district offices throughout the state. In 31 counties, the department enters into agreements with "local primacy agencies," such as county health agencies, to regulate public water systems with fewer than 200 service connections.

The state spends about \$300 million annually on DWP's activities, which include the following:

- Regulating the quality of drinking water by setting drinking water quality standards, inspecting public water systems, issuing permits, and taking enforcement actions when necessary;
- Responding to emergencies by providing technical assistance to damaged water systems, assessing drinking water contamination, and ensuring access to safe drinking water;
- Providing financial assistance to fund safe drinking water improvements to public water systems; and
- Providing oversight, technical assistance, and training for local primacy agency personnel.

SWRCB Oversees State's Water Quality Program. The SWRCB and the nine regional boards perform a variety of activities related to the state's water resources. These boards regulate the quality of the state's surface waters and groundwater by permitting waste discharges into the water and enforcing water quality standards. The boards also provide financial assistance to fund wastewater system improvements, underground storage tank cleanups, and other improvements to water quality. In addition, the state board administers the state's system of water rights.

Under the proposal, DWP's regulatory and technical assistance activities would be housed in a newly created Division of Drinking Water Quality (DDWQ) within SWRCB. The DDWQ would continue to utilize DWP's field operations branches and district offices and would retain existing DWP staff to carry out drinking water activities. The DDWQ, however, would report directly to SWRCB's state headquarters (to SWRCB's executive director) under the proposed transfer. The transfer would occur effective July 1, 2014.

The administration believes consolidating the state's drinking water and water quality programs would result in more integrated water quality management, improve the state's ability to provide financial assistance to small disadvantaged communities and enhance accountability and transparency on drinking water issues because SWRCB's board structure with regular hearings provides a process for the public and stakeholders to offer comments on proposed rules or other issues.

LAO RECOMMENDATION

The LAO recommends approving the transfer of DWP to SWRCB.

We agree that the transfer should meet the broad objectives laid out by the Governor. In particular, we find that the transfer could allow for some efficiencies and increased administrative capacity relating to drinking water financial assistance. Previous LAO analyses have identified many of the same advantages of combining the state's drinking water and water quality programs within SWRCB. For example, some economies of scale may be realized by consolidating SWRCB's and DWP's financial assistance programs. Such a consolidation could allow staff to be shared across programs, allowing them to process additional grants and loans using the same resources. We also find that the transfer creates the potential for accelerated rulemakings related to drinking water. For example, SWRCB indicates that it intends to administratively update some eligibility requirements for SDWSRF grants and loans through its public hearing process. This process allows for public participation but typically is completed more quickly than the formal regulatory process that DPH has used in the past.

STAFF COMMENTS

Currently, programs designed to protect water quality for drinking and other purposes are housed in multiple agencies, reducing their effectiveness. The proposed transfer of the Drinking Water Program is consistent with the Assembly's Budget Blueprint and AB 145 (Perea), 2013. Establishing a single water quality agency should enhance accountability for water quality issues and better provide technical and financial assistance to help communities, especially small, disadvantaged communities.

Staff Recommendation: Approve as Budgeted

ISSUE 2: GROUNDWATER RESOURCE PROTECTION

The Governor's Budget requests \$1.9 million and 10 positions (General Fund) to identify basins that are in danger of suffering permanent damage due to overdraft, which occurs when water withdrawals consistently exceed the water entering the basin. These positions would also develop management plans for those basins in which local agencies do not address the overdraft condition. The administration intends to propose budget trailer legislation to grant SWRCB the authority to develop these management plans.

BACKGROUND

Currently, there is no statewide regulatory framework for groundwater allocation or management. This has resulted in groundwater extraction at unsustainable rates that lower water tables and lead to increased extraction costs, land subsidence, water quality degradation and impacts to public trust resources resulting from reduced surface water flows.

Groundwater is crucial for water and food security as well as sustaining our ecosystem. Unmanaged and unsustainable groundwater pumping jeopardizes the groundwater resources that Californians rely on for domestic supplies and agricultural needs. DWR estimates that approximately 15 million acre-feet of groundwater was extracted and estimates that overdraft in California was nearly 1.5 million acre-feet annually. Overdraft is occurring throughout California, notably in the Central Valley, coastal and southern basins, Tulare Lake Basin, San Joaquin River, and Central Coast hydrologic regions.

In some areas, groundwater is managed to prevent overdraft under local groundwater management plans or judicial decrees, but there is no effective groundwater management in many of the largest, most seriously over-drafted aquifers. Despite increased efforts to promote local groundwater management, there has been little success in addressing the state's groundwater overdraft problem. There is no general requirement that local groundwater management plans be submitted for review by any state agency, and there is no requirement for evaluating the effectiveness of locally adopted plans.

The Administration proposes to identify areas where conditions of groundwater amount to an unconstitutional waste and unreasonable use of water and to adopt and implement plans to correct the problem. This proposal depends on enactment of trailer bill language that would supplement the SWRCB's authority to take actions to prevent waste and unreasonable use of water. The Board's authority would be available when a local agency fails to sustainably manage groundwater basins. Further, the contemplated trailer bill language would provide authority for the Board to adopt plans to address overdraft problems and to implement those plans through permits issued to groundwater extractors in the areas subject to the plans. The costs of the program would be recovered through permit fees.

LAO RECOMMENDATION

The Governor's groundwater proposals appear to be consistent with recommendations that we have made in the past on groundwater management. Unlike most other western states, California currently does not monitor or permit groundwater use at the state level. In past reports, we have recommended that the Legislature establish "active management areas"—defined geographic areas where specific rules are established to govern the withdrawal and use of groundwater—in circumstances where the highest potential for groundwater overdraft exists. The proposal for SWRCB to identify and potentially regulate over-drafted basins could align with this recommendation. We note that the effectiveness of this proposal would depend on (1) the specific authority granted to the board, and (2) the availability of adequate groundwater quality and supply data to identify over-drafted basins.

STAFF COMMENTS

Groundwater overdraft has been occurring for over 80 years in California. All of the negative impacts discussed above are likely to increase in magnitude with a changing climate. Importantly, the permanent loss of aquifer storage resulting from overdraft conditions and the resulting subsidence, will adversely affect aquifer storage capacity, a key climate adaptation measure to enhance water supplies. Further, increased energy needs to pump wells from greater depths, which will increase GHG emissions.

This proposal will allow the SWRCB to document impacted groundwater basins and adopt and implement plans to curtail unreasonable groundwater extractions in selected basins. The Urgency Drought Relief Legislation, SB 103, appropriated \$800,000 to ramp up some of the activities outlined in this proposal. Given the continued drought emergency, appropriating an additional \$1.9 million seems like a prudent, yet modest investment to address a critical aspect of the state's water need. However, given that the implementing trailer bill language to grant SWRCB the authority to develop these management plans is still a work-in-progress, staff recommends holding this item open.

Staff Recommendation: Approve funding and positions. Hold Open the trailer bill language until a final draft is released and can be evaluated by both budget and policy staff.

3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION**ISSUE 1: CAP-AND-TRADE - FIRE PREVENTION AND URBAN FORESTS**

The Governor's Budget proposes \$50 million (\$25.8 million State Operations and \$24.2 million local assistance in year one, \$50 million in State Operations in year two), Greenhouse Gas Reduction Fund (GGRF), for the next two years to expand seven existing programs at CalFire. Specifically, the proposed funding would support:

- \$15.8 million for Local Assistance grants for urban and community forestry;
 - \$12.5 million (25 percent of the \$50 million) for urban forestry projects in disadvantaged communities;
- \$10 million for Local Assistance grants for fuel reduction activities;
- The Forest Legacy Program (FLP), which invests in forestlands to prevent conversion to non-forest use;
- Reforestation services;
- Research at demonstration state forests and cooperative wildlands;
- Forest pest control programs; and
- The forest practice program, which regulates timber harvests.

The Administration will provide additional information on the breakout of the expenditures in 2015-16 during the budget process. The budget proposal states that each of these programs would reduce GHG emissions by increasing the number and health of forests, as well as reducing the frequency and severity of wild land fires. Of the total amount proposed, CalFire would receive \$2.5 million in 2014-15 to support 13 new positions for program implementation.

BACKGROUND

This proposal is part of the Governor's \$850 million Cap-and-Trade Expenditure Plan to invest cap-and-trade auction proceeds to support existing and pilot programs that will promote GHG reductions and meet SB 535 (de Leon), Chapter 830, Statutes of 2012, goals.

The budget proposal provides the following information to support the GHG emission reduction benefits of the activities proposed for funding and how these activities contribute to the SB 535 goal of investing in disadvantaged communities:

- Urban Forestry projects are specifically mentioned in the AB 32 Scoping Plan. Urban forests provide direct sequestration of carbon while also increasing energy conservation, reducing storm-water runoff, improving local air, soil, and water quality, and improving public health. All of these benefits have indirect GHG reductions associated with them.
- The AB 32 Scoping Plan identified fuel management as one of the five important forest sector strategies for reducing atmospheric GHG levels. Mitigation of short-lived climate pollutants, like black carbon, produces immediate climate benefits and is an important complement to efforts to reduce GHG emissions. The Plan states that wildfires account for nearly 50 percent of the total black carbon emissions. Emissions in this category may grow significantly in the future if climate change results in increased wildfires, as predicted in many climate model scenarios.
- Reforestation activities are consistent with strategies identified in the AB 32 Scoping Plan, as carbon sequestration is achieved through growing trees on deforested lands.

- FLP protects environmentally important forestlands from development through purchase or conservation easements. Protecting lands in this manner also has direct permanent GHG reduction.
- Funding directed towards the Urban and Community Forest Program will give preference to disadvantaged and severely disadvantaged communities. The Department will utilize Cal EnviroScreen criteria to ensure that this occurs. This portion of the proposal is a major component of SB 535 compliance.

LAO RECOMMENDATION

According to the LAO, as of the time it published its Cap-and-Trade Auction Revenue Expenditure Plan report on February 24, 2014, CalFIRE was unable to provide data quantifying the potential emission reductions of their proposed activities. LAO notes that this "lack of data makes it difficult for the Legislature to determine how much of a reduction these activities are likely to achieve for the amount proposed to be spent."

As noted previously, in the Subcommittee's March 19th Cap-and-Trade Expenditure Plan hearing agenda, the LAO stated:

In order to minimize the negative economic impact of cap-and-trade, it is important that auction revenues be invested in a way that maximizes GHG emission reductions for a given level of spending. In reviewing the Governor's proposed expenditure plan for cap-and-trade auction revenue, we find that there is significant uncertainty regarding the degree to which each investment proposed for funding will achieve GHG reductions. This uncertainty is the result of several factors, including there being only limited data and analysis provided by the administration, as well as the fact that the level of emission reductions achieved would depend on the specific projects funded by departments. Consequently, it is very difficult for the Legislature to have assurance that the specific package of programs proposed by the administration would achieve the greatest reduction per dollar invested possible, or whether a different set of programs might yield better outcomes in a more cost-effective manner.

Given these concerns, we recommend that the Legislature direct ARB to develop metrics for departments to use in order to prospectively evaluate the potential GHG emission benefits of proposed projects, as well as direct the board to establish a set of guidelines for how departments should incorporate these metrics into their decision-making processes. Having such metrics to use as part of departments' decision-making processes when determining how program funding will be spent would provide greater certainty regarding the potential GHG emission reductions of projects being considered for funding.

STAFF COMMENTS

Due to the "significant uncertainty regarding the degree to which each investment proposed for funding will achieve GHG reductions," noted by the LAO, staff recommended, its March 19th Subcommittee hearing agenda, directing the Air Resources Board (ARB) to develop metrics for departments to use in order to evaluate the potential GHG emission benefits of proposed projects. While this requirement could delay getting funding "out the door" at first, staff noted that it would be worthwhile if the result is that the state could better ensure that the most beneficial projects are being funded. Staff also suggested that the Legislature may also wish to consider directing the administration to establish GHG reduction goals for each program funded

by auction revenue. Thereby, allowing departments and the Legislature to evaluate the effectiveness of these programs relative to what was expected at the time of legislative approval.

The proposal does not include mention of specific metrics to be used for evaluating GHG emissions reduction for any of the funded activities nor does it contain GHG reduction targets. However, it does meet the SB 535 goal of investing in disadvantaged communities.

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

- Can you quantify the estimated annual GHG emission reductions benefit for the activities being proposed and describe the metrics used to conduct this work?
- Can you discuss the near-term and/or the long-term GHG reduction benefits of the proposed activities?
- Under the proposal, the department is responsible for developing its own criteria to determine how to spend its GGRF allocation. Do you have in-house staff with experience evaluating GHG emissions reduction programs?
- What front-end metrics will the department use to guide investment decision-making?
- Under the current proposal, how soon do you anticipate getting funding out-the-door?
- Has the Department established GHG reduction goals for each program funded by auction revenues?
- If not, how will the department evaluate the effectiveness of these programs relative to what was expected at the time of legislative approval?

Staff Recommendation: Hold Open

ISSUE 2: SRA PROTECTION ADJUSTMENT

The Governor's Budget requests \$14.2 million and 62.5 positions (\$13.5 million General Fund, \$670,000 SRA Fund) to implement State Responsibility Area (SRA) protection adjustments in the Lake Tahoe Basin, San Bernardino County, and Riverside County. This adjustment is necessary due to changes in the long-term, cooperative agreement with the Federal Government for the provision of fire protection and fire prevention on these lands. The changes to the agreement were necessitated by the federal mission and staffing models that do not align with the states mission for fire prevention and suppression activities in these areas.

BACKGROUND

Fire protection efforts in California's wildlands involve firefighting resources at the state, federal, and local levels. The responsibilities for each level of government are set forth in law and policy directives. However, these responsibilities and the geographic areas of protection often overlap among governments. In order to reduce overlap and maximize the use of resources across jurisdictions, firefighting agencies generally rely on a complex series of agreements that result in a multiagency wildland fire protection system. The state or federal agencies have primary responsibility for providing wildland fire protection for 79 million acres—almost 80 percent of all land—in California. Specifically, the state is currently responsible for wildland fire protection on approximately 31 million acres of wildlands (generally privately owned). Federal Responsibility Areas (FRA) are comprised of 48 million acres of land owned and administered by various federal agencies including the United States Forest Service (USFS), the Bureau of Land Management, the National Park Service, the Fish and Wildlife Service, and the Bureau of Indian Affairs.

Since the 1930s, state and federal agencies have entered into agreements that provide for interagency cooperation between these two levels of government. As part of this agreement, CalFIRE and its federal counterparts have determined in which areas it is most efficient for the state and federal governments to have resource protection responsibility. This includes, in some areas, CalFIRE having fire protection responsibilities of FRAs, while in other areas, the federal government has fire protection responsibilities in SRAs. Approximately four million acres of SRA are protected by the USFS for wildland fire prevention and suppression, and CalFIRE protects a similar amount of federal land. Once responsibility for protecting lands is determined, the agency accepting responsibility for the protection of that land assumes full financial responsibility for any firefighting costs associated with it. In addition, the agreement provides that each agency, to the extent possible, will fight fires consistent with the approach of the other agency had it been the one responsible.

Following the 2007 Angora Fire near Lake Tahoe, the agreement between CalFIRE and its federal counterparts was reexamined, and a statewide review by CalFIRE and USFS determined that the USFS could no longer adequately protect some SRA it had previously covered. This determination was based on the following factors: (1) a large number of homes in wildland areas, (2) the likelihood of high-intensity wildfires, and (3) high property and resource values. In particular, the review identified areas around the Lake Tahoe basin, Idyllwild (Riverside County), and Big Bear Lake (San Bernardino County) as areas in which USFS could no longer offer adequate protection. CalFire and USFS reached a new agreement in 2013 that transfers primary fire protection responsibility in these SRAs to CalFIRE. Consequently, the state resumed primary protection responsibility for 92,000 acres of high-risk, high-value SRA in 2013. For the past year, CalFIRE has utilized existing resources from other areas in order to cover these additional areas of responsibility.

LAO RECOMMENDATION

Since the interagency agreement between CalFire and federal agencies was first established in the 1930s, the nature of the SRA and FRA have changed significantly. For instance, housing development has increased in many areas of SRA. Additionally, the responsibilities of CalFire and federal agencies have shifted. For example, CalFire is now required to provide certain fire prevention services to all inhabitants in SRA since those residents pay the SRA fee. The USFS, on the other hand, does not have the authority to conduct the same level of fire prevention activities as CalFire. In addition, the USFS and CalFire have different fire suppression and fire fuel management policies. The current interagency agreement with the federal government is set to expire in 2018. Based on our conversations with CalFire, as SRA land continues to be developed and fire suppression costs rise, federal agencies will want to shift more SRA fire protection responsibility to the state. This would result in additional costs to the state.

It is consistent with CalFire's mission to protect these three areas to California's fire protection standards, and the proposal would provide the level of resources necessary for sufficient staffing according to the department's methodology. Therefore, we recommend that the Legislature approve the Governor's proposal. However, the Legislature should request additional information to understand the full magnitude regarding the fiscal impact of these changes, as well as potential changes in the future. Specifically, we further recommend that the Legislature require CalFire to report at budget hearings on the expected capital outlay costs associated with the proposal. In addition, we recommend that the Legislature adopt budget trailer legislation requiring CalFire to report on other areas of SRA currently protected by federal agencies that are most likely to be transferred back to CalFire responsibility in the future. This report to the Legislature should be completed prior to renewing the interagency agreement. The report should identify the reasons why those areas are most likely to be shifted back to CalFire, the operational and capital costs associated with CalFire management of those areas, and any policy alternatives the state could consider other than taking back full responsibility (such as sharing of resources and facilities or different reimbursement policies).

STAFF COMMENTS

Staff concurs with the LAO analysis. The Department should address the LAO concerns about future costs of the proposal, including potential capital outlay estimates.

Staff Recommendation: Approve as Budgeted. Adopt supplemental reporting language requiring the Department to report to the Legislature prior to negotiation of future state versus federal responsibility area adjustments in order to determine if budget legislative representation is advisable at these meetings. Request the LAO to draft this language in conjunction with the Department.

ISSUE 3: FIREWORKS DISPOSAL/MANAGEMENT

The Governor's Budget requests one-time funding of \$1.5 million from the Toxic Substances Control Account (TSCA) and an ongoing increase of \$298,000 (Fireworks Enforcement and Disposal Fund) for the Office of the State Fire Marshal Fireworks Disposal Program to resolve the ongoing problem of illegal and dangerous fireworks stockpiled throughout the State. The TSCA is used primarily by the DTSC for responses to hazardous waste releases and is funded mostly by a tax on businesses in industries that use, generate, or store hazardous materials or that use products manufactured with those materials.

The ongoing fireworks program would be funded through a 1.5 percent assessment collected by the wholesalers of safe-and-sane fireworks at the retail point of sale. The administration estimates that the proposed assessment will generate \$1.2 million annually when fully implemented. Assessment revenues will be deposited into the existing Fire Marshall's Fireworks Enforcement and Disposal Fund to cover staffing and operation costs of the program.

BACKGROUND

Under state law, the Office of the State Fire Marshal (OSFM) within CalFIRE is responsible for the management and disposal of seized illegal fireworks. Fireworks may be declared illegal by federal, state, or local governments. State law allows only certain fireworks to be sold in California. Many local jurisdictions in California choose to ban the sale or use of any fireworks within their borders. Consequently, illegal fireworks seized by law enforcement agencies include those that are illegally made in or transported into the U.S., as well as fireworks that are legally purchased in one jurisdiction (including parts of California, in some cases) and brought into another jurisdiction where they are illegal.

Possession of fireworks illegal in California is usually a misdemeanor and is punishable by penalties ranging from \$500 to \$50,000, as well as possible incarceration, with the size of the penalty depending on the quantity of fireworks. Law enforcement agencies, such as the California Highway Patrol and local police, are authorized to seize illegal fireworks. Local fire departments may also accept drop-offs of illegal fireworks. Once the fireworks are seized, state statute requires the OSFM to properly dispose of them. Because seized fireworks are considered hazardous waste and are explosive, proper disposal can be dangerous, labor intensive, and costly. Many of the fireworks must be shipped to an out-of-state disposal site, at a cost of roughly \$10 per pound. Fireworks that cannot be shipped because they are unpackaged or unstable are incinerated at a cost of about \$30,000 annually. The OSFM estimates that around 100,000 pounds of illegal fireworks are collected annually, and that it would cost approximately \$600,000 if the state were to dispose of all collected fireworks in the state each year.

Chapter 563, Statutes of 2007 (SB 839, Calderon), increased the penalty amounts to the levels described above in order to fund the disposal of seized fireworks. However, the revenue generated from these penalties has never been sufficient to cover more than a small fraction of the program's costs. The most penalty revenue collected in any given year was around \$30,000, and in some years, it has been as little as a few thousand dollars. It is unclear why the penalty revenue collected is so low. According to OSFM, the lack of ongoing funding for proper disposal has caused a backlog of illegal fireworks needing proper disposal. The OSFM estimated that there was a backlog of 250,000 pounds of fireworks as of August 2013. In 2012, a working group made up of various stakeholders was convened to address the issues surrounding seized illegal fireworks, including funding for disposal. However, the group did not

issue a formal proposal. The Legislature approved one-time funding of \$500,000 from the General Fund in the current year to help address the backlog.

LAO RECOMMENDATION

New Assessment Has Trade-offs. We find that the new assessment proposed by the administration should raise more than a sufficient amount of revenue to address the ongoing costs of the program. In addition, the proposed assessment avoids the need to use other state resources—such as the General Fund or another special fund—on an ongoing basis. However, the structure of the assessment means that people purchasing fireworks legally would be required to pay the costs associated with the actions of those who break the law by purchasing or transporting illegal fireworks. Moreover, the assessment does not impose a cost on those who break the law and whose actions drive state costs. In addition, we note that the administration's proposed assessment is estimated to generate much more revenue—\$1.2 million—than estimated annual program costs—about \$600,000. While there is some uncertainty surrounding the revenue estimates because of limited data, this assessment could result in twice as much revenue as the program costs on an annual basis.

Other Funding Options Also Have Trade-Offs. In reviewing this proposal, we identified several alternative options for funding fireworks disposal.

- **TSCA.** The Legislature could consider providing ongoing funding from TSCA. The Governor proposes using TSCA for one-time funding to address the existing backlog of seized fireworks, and we find it to be an appropriate use of this fund. Additionally, TSCA currently has a large reserve, projected at \$37 million—or 82 percent of revenues and transfers—in 2014–15. This financing mechanism avoids imposing an assessment on legal fireworks sales, and does not use money from the General Fund. However, creating additional ongoing commitments from TSCA would compete with current activities paid for by the fund. For example, TSCA is currently used to fund many other activities whose costs are projected to increase in the future, such as the cleanup of hazardous waste sites and the Safer Consumer Products program. Committing ongoing TSCA funding for fireworks disposal may reduce the state's ability to perform these other activities in the future.
- **General Fund.** To the extent that the Legislature determines that fireworks disposal has a benefit to the entire state, the General Fund is an appropriate funding option. This financing mechanism avoids an assessment on legal fireworks sales and does not place a financial burden on any special funds. However, it does divert resources from the General Fund on an ongoing basis, an option that the Legislature rejected in 2013–14. Notably, the General Fund is used to fund some costs associated with illegal activities, such as illegal drug lab cleanups.
- **Local Governments—Share in Disposal Costs.** Local law enforcement agencies and residents benefit from the OSFM's disposal of fireworks through reduced fire and safety risk. Moreover, local decisions—such as a county fireworks ban that increases the number of fireworks considered to be illegal—drive some of the OSFM's costs. Therefore, a cost-sharing arrangement between state and local governments may be appropriate. This could be achieved, for example, by (1) requiring local governments to

pay OSFM for a share of disposal costs, or (2) removing the statutory requirement that OSFM be responsible for the disposal of all seized fireworks, thereby leaving the responsibility and cost with local governments. Both options avoid an assessment on legal fireworks and do not divert state resources from special funds. However, they may both be considered state-reimbursable mandates. When the state mandates that a local government provide a new program or higher level of service, the California Constitution often requires the state to reimburse the local government. Since the state currently provides seized fireworks disposal, shifting the responsibilities or costs back to local governments could require a higher level of local service and therefore be a state-reimbursable mandate. Reimbursable mandates are paid from the General Fund. Therefore, if these actions were determined to be reimbursable mandates, this option could be costly to the General Fund. Moreover, the Legislature would have less oversight of the program and control of the costs than if the program was operated by the state.

- **Selling or Returning Fireworks to Manufacturers.** One option the working group convened in 2012 considered was to allow enforcement agencies to sell or give fireworks that are legal in California or the U.S. back to manufacturers and retailers. Under this type of approach, fireworks companies would remove the fireworks from California and cover their costs by reselling the fireworks where they are legal. The benefit of this approach would be to reduce the cost of disposal, as well as generate some revenue that could be used, for example, to cover costs of disposing of fireworks illegal in the U.S. On the other hand, this approach would put government agencies in the position of selling illegal materials, and once resold, much of this material could end up back in California.

We find that the administration's effort to develop a permanent funding source for fireworks disposal is a reasonable one. The Governor's proposed approach provides one option, and there are others—as we discussed above—that could be considered. Each option, however, has trade-offs. In determining which financing mechanism is most consistent with current legislative priorities, the Legislature will need to make a policy decision about where it wants the costs of disposal to be borne. If the Legislature chooses to adopt the Governor's proposal, we recommend lowering the assessment rate to 1 percent. This is enough to cover the estimated costs of the program and account for the uncertainty in this new revenue stream.

STAFF COMMENTS

Without stable funding, current fireworks disposal and enforcement operations within the State will deteriorate further and the seized fireworks stockpile will continue to grow. The accumulation of seized fireworks is a significant environmental, as well as potentially a public safety hazard, should a catastrophic fire and/or explosion result. The LAO does a thorough job of laying out numerous funding options and the trade-offs associated with each. While not a perfect choice, staff recommends funding the proposal as proposed.

Staff Recommendation: Approve Governor's proposal. Adopt supplemental reporting language requiring the Department to report back bi-annually on the implementation of this fee, the amount of fireworks reduced, and the need for further assessment reductions. Request the LAO draft this language.

3885 DELTA STEWARDSHIP COUNCIL

Established in 2009 by the Delta Reform Act, the mission of the Delta Stewardship Council, through a seven-member board, is to further the state's coequal goals of providing a more reliable water supply for California and protecting, restoring, and enhancing the Sacramento-San Joaquin Delta ecosystem. The coequal goals are to be achieved in a manner that protects and enhances the unique cultural, recreational, natural resource, and agricultural values of the Delta.

In 2013, the Council adopted a legally enforceable Delta Plan to further the coequal goals and guide state and local agency activities related to the Delta. Under state law agencies are required to coordinate their actions pursuant to the Delta Plan with the Council and the other relevant agencies. The integration of science into policy and decision-making is a unique and significant component of the Delta Stewardship Council. The Council is informed by scientific input from the Delta Science Program and the Delta Independent Science Board. The mission of the Delta Science Program is to provide the best possible unbiased scientific information to inform water and environmental decision-making in the Delta.

The Delta Stewardship Council, an independent state agency, is the successor to the California Bay-Delta Authority and CALFED Bay-Delta Program. The Budget includes \$17 million (\$9.7 million General Fund) and 67.5 positions for support of the Council.

Fund Source	2012-13 Actual	2013-14 Projected	2014-15 Proposed	BY to CY Change	% Change
General Fund	\$5,464	\$6,535	\$9,728	\$3,193	49%
Reimbursements	5,728	7,000	4,600	(2,400)	(34)
Other	2,419	5,938	2,765	(3,173)	(53)
Total Expenditure	\$13,611	\$19,473	\$17,093	(\$2,380)	(12%)
Positions	47.6	55.5	67.5	12	22

ISSUE 1: IMPLEMENTATION OF THE DELTA PLAN

With the adoption of the Delta Plan, the Governor's Budget requests \$5.8 million (\$3.2 million General Fund, \$2 million bond funds, \$.6 million from other state departments) and 18 positions to implement the Plan. The position requests are as follows:

- 13 positions for the Delta Science Program to continue to provide the best possible science to inform and improve activities in the Delta;
- 3 positions to support tracking and reporting on agencies' performance in implementing the Delta Plan, including information technology, Bay Delta Conservation Plan (BDCP) review and consultation, and potential appeals; and
- 2 position for the Executive Office for increased legal services/defense against lawsuits against the Delta Plan and additional support for interagency committee coordinating the Delta Plan implementation.

BACKGROUND

The 2009 Delta Reform Act established the Delta Stewardship Council (Council) to develop, adopt, and implement the Delta Plan (Plan), an enforceable long-term plan to guide state and local actions to further the State's co-equal goals for the Delta: providing a more reliable water supply for California and a healthier Delta ecosystem. The Delta Reform Act requires that the Delta Plan be based on and implemented using the best available science and requires the use of science-based, transparent, and formal adaptive management strategies for ongoing ecosystem restoration and water management decisions. The Plan was unanimously adopted in May 2013. A Delta Science Plan was completed this fall. New regulations to implement the Plan's enforceable policies became effective on September 1, 2013.

The Council's Legal Relationship to the BDCP. When the Legislature established the Council it prescribed three clear roles for the Delta Stewardship Council in the review and oversight of the Administration's BDCP: 1) DWR is required to consult with the Council during the development of the BDCP, 2) the Council is a "responsible agency" with respect to the development of the BDCP Environmental Impact Report, and 3) if the Director of the Department of Fish and Wildlife's approval of the final BDCP is challenged, the Council has an appellate role to determine whether the BDCP complies with the requirements specified in the Delta Reform Act (Water Code Section 85320). Finally, if the BDCP is compliant, the law directs the Council to incorporate the BDCP into the Delta Plan when it is completed and permitted.

STAFF COMMENTS

The Delta Stewardship Council and its Delta Science Program are providing rigorous, unbiased science on a host of Delta issues. Funding this proposal will enable the Council to effectively fulfill the responsibilities assigned to it in the Delta Reform Act, including the implementation of the Delta Plan.

Staff Recommendation: Approve as Budgeted
