

AGENDA**ASSEMBLY BUDGET SUBCOMMITTEE NO. 3****RESOURCES AND TRANSPORTATION****Assemblymember Richard S. Gordon, Chair****WEDNESDAY, MAY 4, 2011****STATE CAPITOL, ROOM 447****9:00 A.M.**

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CONSENT CALENDAR

Natural Resources Agency

1. **California River Parkways-Reappropriation** - extend the liquidation period for River Parkway projects funded from various previous Budget Acts. This request will provide additional time for the projects to be completed. (April Finance Letter)
2. **Reversion-San Joaquin River Restoration** - revert \$7,438,392 Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Fund of 2006 (Proposition 84) appropriated in the 2007 Budget Act. (April Finance Letter)

Department of Conservation

1. **Plan Financial Adjustment Change** - trailer bill language to enable the Department of Conservation to use the Oil, Gas, and Geothermal Administrative Fund as its main appropriation, or clearing account. (April Finance Letter)
2. **Bond Funding Technical Corrections** - a number of fixes to the 2011-12 Budget bill due to technical errors in appropriations to Prop 50 and 84 funds. (April Finance Letter)

Department of Water Resources

1. **Reappropriations, Reversions, and Technical Adjustments: Non-Capital Outlay** – reverts \$6,777,476 Water Security, Clean Drinking Water, Coastal and Beach Protection Fund of 2002 (Proposition 50) appropriated in the 2007 and 2009 Budget Acts; reappropriates funding for the following projects: West Sacramento Early Implementation Project; Lower Cache Creek, Yolo County, Woodland Area Project; Merced County Streams Project Bear Creek Unit; System-wide Levee Evaluations and Repairs; Sutter Bypass East Water Control Structures; and Feather River Early Implementation Project; extends the liquidation for the Upper Sacramento River Area Levee Reconstruction Project. (April Finance Letter)

- **Reappropriations and Extension of Liquidation Request: Capital Outlay**
 - extends the liquidation for the Upper Sacramento River Area Levee Reconstruction and reappropriates funding for the following projects: West Sacramento Early Implementation Project;
 - Lower Cache Creek, Yolo County, Woodland Area Project;
 - Merced County Streams Project Bear Creek Unit;
 - System wide Levee Evaluations and Repairs;
 - Sutter Bypass East Water Control Structures; and
 - Feather River Early Implementation Project. (April Finance Letter)

California Environmental Protection Agency

1. **Support for Secretary** - \$388,000 in Federal reimbursement authority in FY 2011/12 for a federal grant project to expend environmental literacy grant funds expected to be awarded to the Office of the Secretary by the National Oceanic and Atmospheric Administration (NOAA) for teacher workshops and professional development to advance environmental education in California. (April Finance Letter)

Public Utilities Commission

1. **Division of Ratepayer Advocates: Natural Gas and Auditing Activities** - \$173,000 from the PUC Ratepayer Advocate Account and redirection of 2 positions from the Workforce Cap Reduction to accommodate expanding workload related to natural gas safety and auditing activities. (April Finance Letter)

Vote Only

Natural Resources Agency

1. **Statewide Bond Oversight, Re-Appropriations, Extensions, and Reversions.**
The Governor requests minor increases for statewide oversight of bond expenditures at the Secretary level; an extension of liquidation for the River Parkway project due mainly to the 2008 bond freeze; and a reversion of \$7.4 million (unused funds) from Proposition 84 from the San Joaquin River Restoration program. The Natural Resources Agency oversees the statewide implementation of resources bond programs authorized by Proposition 12, 13, 40 50, and 85. This request would extend 2.0 limited-term positions for an additional four years in order to provide adequate grants management staffing. A significant amount of bond funds continue to be awarded and the Agency's oversight and coordination remains necessary. **Staff Recommendation:** Approve April Finance letter.
2. **Coastal Assistance Program** - increase of \$3.5 million in the Natural Resources Agency's Federal Trust Fund Authority in order to enable the Agency to receive federal funds for the Coastal Impact Assistance Program (CIAP). The federally approved state CIAP plan includes 25 projects totaling \$16.0 million. The balance of California's CIAP allocation, \$9.0 million, will be allocated through the remainder of 2010-11 and 2011-12. Staff has no concerns with this proposal since, over the life of the program, the CIAP will provide the Agency and its departments with approximately \$16 million in federal grants, with few conditions, other than specified uses, imposed. In addition, the CIAP will enable the state to implement ocean and coastal programs and projects that would have otherwise gone unfunded. **Staff Recommendation:** Approve April Finance letter.

Department of Conservation

1. **Implementing AB 2453** - baseline augmentation of \$145,000 (special funds) from the Oil, Gas, and Geothermal Administrative Fund to support new legal workload associated AB 2453 (Tran). This proposal was approved by the Subcommittee on February 2, 2011, but denied without prejudice by the full Committee. This proposal does not require any additional staff since the funding will support one position that is being redirected internally. Staff does not have any issues with this proposal, as the proposed costs are in-line with estimated costs at the time of the bill's passage. **Staff Recommendation:** Approve as budgeted.

Department of Water Resources

1. **Flood SAFE-Conservation Strategy** - \$575,000 (Prop 1E, the Disaster Preparedness and Flood Prevention Bond Act of 2006) to support 3 new positions for the development of a comprehensive environmental mitigation plan for the Central Valley Flood Protection Project (CVFPP). This is a continuation of the multi-year BCP approved in FY 2009-10 for planning, developing, and implementing a comprehensive Conservation Strategy for the CVFPP. This proposal was approved by the full Committee, but denied without prejudice in Conference Committee. The Conservation Strategy provides ecological benefits to the CVFPP, which will drive hundreds of millions in flood investment. **Staff Recommendation:** Approve as budgeted.

Public Utilities Commission

1. **Modernization of the Electric Grid (Advance Energy Storage)** - \$452,000 from the PUC Utilities Reimbursement Account to evaluate the cost effective use of Advanced Energy Storage (AES) and to develop relevant policies to support the integration of renewable energy resources. This proposal was denied without prejudice by the Subcommittee on February 7th. It was submitted prior to the signing of AB 2514 (Skinner), which required the Commission to open a rulemaking procedure on AES, and therefore did not include the full legislative intent of the bill. The April Finance letter corrects this omission from the earlier proposal. **Staff Recommendation:** Approve as budgeted.

Regional Conservancy Proposals

The following proposals have been submitted by the different regional conservancies:

1. **California Tahoe Conservancy** - *Extension of Liquidation Period-Habitat Conservation Fund:* two-year extension of the liquidation period for a 2006 Habitat Conservation Fund capital outlay appropriation currently due to revert after June 30, 2011. The extension will allow the full consideration of potential acquisition opportunities in the planning and design of stream and watershed restoration work along the Upper Truckee River.
2. **Santa Monica Mountains Conservancy** - *Technical Change Prop 50:* revert \$105,297 Proposition 50 funds and conforming language be added for the reversion.
3. **San Gabriel & Lower Los Angeles Rivers and Mountains Conservancy (RMC)** - *Capital Outlay and Grants-Prop 50:* \$705,000 Proposition 50 funds to enable the RMC to fund additional projects and reappropriate \$650,000 in capital

outlay Proposition 50 funds from a 2006 appropriation to complete key acquisition and improvement opportunities in the RMC territory.

4. **Baldwin Hills Conservancy - Reappropriation Prop 40 and 84:** \$6.3 million reappropriation of Prop 40 and Proposition 84 funds for the Baldwin Hills Conservancy's capital outlay projects.
5. **Coachella Valley Mountains Conservancy - Reversion-Prop 84 (technical adjustment):** reverts approximately \$40,000 Proposition 84 funds from prior Budget Act appropriations.
6. **San Joaquin Delta Conservancy - Delta Conservancy Operational Support:** \$165,000 from the Environmental License Plate Fund (ELPF) to provide facility and consulting funds to the Sacramento-San Joaquin Delta Conservancy. The Legislature enacted SB 1 X7 (Simitian), Chapter 5, Statutes of 2009 to establish the Sacramento-San Joaquin Delta Conservancy, which is required to act as a primary state agency for the implementing ecosystem restoration in the Delta. The Conservancy is a small agency with minimal baseline funding to support salaries and operating costs for seven permanent positions. Therefore, the Conservancy is requesting a baseline increase from the ELPF to support legislative mandates and operational needs.
7. **Coastal Conservancy**
 - a. *Fund Shift to Maintain Baseline Budget* – decrease funding from the State Coastal Conservancy Fund of 1976 (Fund 0565) by \$2.4 million and provide an equivalent increase from Proposition 84 bond funds (split between two accounts) for support funding. According to the Administration, Fund 0565 has existed since 1976, however with fewer deposits in recent years, declining balances require less annual appropriations out of the account. The Governor proposes this shift as to the ongoing, base budget at the Conservancy for support and state operations activities.
 - b. *Public Access Program* – increase appropriation by \$300,000 from the Violations Remediation Account to the Conservancy's public access program according to existing adopted criteria. The request will provide additional assistance to local partners to manage several public access ways along the coast. Such access ways include paths and stairways that provide access to the beach and other coastal locations, as well as portions of the California Coastal Trail.

Staff Comments: All regional conservancy proposals represent extension of liquidation periods, technical changes, reappropriations, reversions, or fund shifts. **Staff Recommendation:** Approve April Finance letters.

ITEMS TO BE HEARD

3480 – DEPARTMENT OF CONSERVATION

ISSUE 1: WATERSHED IMPLEMENTATION

Governor's Budget Proposal: The Department is requesting a reappropriation of \$1.176 million in unencumbered Proposition 50 funds to continue implementation of watershed activities through the Department's Statewide Watershed Program.

Background: In 2008, the CALFED Watershed Program Watershed element was administratively "decoupled" from the CALFED Bay Delta Authority and moved to the Department of Conservation (DOC) by assignment of the Natural Resources Agency. According to the DOC, it directed to continue implementing program activities regardless of the current Bay Delta planning efforts. These watershed program actions – including watershed web portal and additional studies have been planned and effectuated for some time and must be implemented regardless of the outcomes of the Delta Planning process.

The DOC's watershed program develops best practices and takes a holistic approach in watersheds across the state; not just those feeding the Delta region. The actions to be carried out by DOC during implementation of the watershed program will occur in watersheds throughout the State of California, including watershed areas above, and below the Delta planning area. The DOC expects results and findings of our efforts will be utilized in the final development of the Delta Plan and other large-scale water policy decisions.

STAFF COMMENTS

This issue was approved by the Subcommittee on February 3, 2011, but denied without prejudice in the full Committee to contemplate whether the proposed activities should be held off until completion of the Delta Plan. Staff believes the Department has demonstrated the need for continued funding of these activities.

STAFF RECOMMENDATION: APPROVE AS BUDGETED.

3720 - CALIFORNIA COASTAL COMMISSION

ISSUE 1: COMMISSION OVERVIEW

Department Overview. The California Coastal Commission, comprised of 12 voting members appointed equally by the Governor, the Senate Rules Committee, and the Speaker of the Assembly, was created by voter initiative in 1972 and was made permanent by the California Coastal Act of 1976 (Coastal Act). The Coastal Act calls for the protection and enhancement of public access and recreation, marine resources, environmentally sensitive habitat areas, marine water quality, agriculture, and scenic resources, and makes provisions for coastal-dependent industrial and energy development. New development in the coastal zone requires a coastal permit either from local government or the Commission. Local governments are required to prepare a local coastal program (LCP) for the coastal zone portion of their jurisdiction. After an LCP has been reviewed and approved by the Commission as being consistent with the Coastal Act, the Commission's regulatory authority over most types of new development is delegated to the local government, subject to limited appeals to the Commission. The Commission also is designated the principal state coastal management agency for the purpose of administering the federal Coastal Zone Management Act in California and has exclusive regulatory authority over federal activities such as permits, leases, federal development projects, and other federal actions that could affect coastal zone resources and that would not otherwise be subject to state control.

Budget Overview. The January Governor's Budget proposed total expenditures of \$17,454,000 (\$10,798,000 General Fund) and 131 positions, an increase of about \$505,000 over the revised current-year budget.

Major Commission Programs

Coastal Management Program. The objectives of the Coastal Management Program are to implement coastal resources conservation through planning and regulation. Activities include:

Reviewing and approval of local coastal programs (LCPs), port master plans, university long-range development plans, and any amendments to such plans, for consistency with the Coastal Act;

Reviewing coastal development permit applications for new development in areas without a certified LCP, areas of permanently retained jurisdiction (e.g., tidelands, submerged lands, and public trust lands) and limited categories of local coastal development permit actions that can be appealed to the Commission. Monitoring and enforcement of coastal development permits;

Reviewing federal activities for consistency with the Coastal Act;

Protecting and expanding opportunities for public coastal access and recreation;

Implementing a coastal water quality protection program;

Providing technical information and assistance to support effective coastal management; and,

Implementing a coastal and ocean resource public education program.

Coastal Energy Program. The Coastal Energy Program addresses coastal energy issues including, but not limited to, offshore oil and gas development, electricity generating power plant expansion and development, and siting and development of liquefied natural gas facilities.

Administration. The objective of the Administration Program is to provide administrative support including accounting, budgeting, business services, support services, information technology, and human resources services to other departmental programs.

EXPENDITURES BY PROGRAM

Code	Program	Actual 2009-10*	Estimated 2010-11*	Proposed 2011-12*
10	Coastal Management Program	\$14,470	\$15,912	\$16,225
20	Coastal Energy Program	757	937	1,129
30.01	Administration	2,126	2,736	2,749
30.02	Distributed Administration	-1,996	-2,636	-2,649
Total Expenditures (All Programs)		\$15,357	\$16,949	\$17,454

PERSONNEL YEARS BY PROGRAM

Code	Program	Actual 2009-10	Estimated 2010-11	Proposed 2011-12
10	Coastal Management Program	99.9	103.9	103.9
20	Coastal Energy Program	5.5	6.6	6.6
30.01	Administration	21.9	20.9	20.9
30.02	Distributed Administration	-	-	-
Total Personnel Years (All Programs)		127.3	131.4	131.4

EXPENDITURES BY FUND

Fund Code	Fund	Actual 2009-10*	Estimated 2010-11*	Proposed 2011-12*
0001	General Fund	\$9,985	\$10,398	\$10,798
0371	California Beach and Coastal Enhancement Account, California Environmental License Plate Fund	1,225	1,119	1,122
0890	Federal Trust Fund	2,159	2,518	2,559
0995	Reimbursements	1,648	2,149	2,328
3123	Coastal Act Services Fund	340	765	647
Total Expenditures (All Funds)		\$15,357	\$16,949	\$17,454

Department Legal Authority

Public Resources Code, Division 20, Section 30000 et seq. and Title 16, United States Code, Chapter 33, Section 1451 et seq.

Questions for the Commission**Mission:**

- Describe the purpose the Commission fulfills. Provide information on the process by which the Commission was established (enabling legislation, or constitutional language).

Organizational Structure:

- How is the Director selected/appointed and to whom does that individual report. Provide any pertinent history regarding organizational changes that have occurred.
- Provide an organizational chart and discuss the major functional units of the Commission.

Budget:

- What is the total Commission budget?
- Detail revenue by category. Provide a dollar amount and indicate the percentage of the total expenses represented by each category.
- Detail expenses by category. Provide a dollar amount and indicate the percentage of the total expenses represented by each category.

- How do you define administrative costs? What items are included in administration? What percentage of the total expenses would be identified as administrative costs?
- How much did the Commission spend last fiscal year on legal costs (internal and external attorneys and litigation costs)?

Personnel:

- How many authorized positions are there for the Commission?
- How many of those are currently filled? What has been the vacancy rate over the past two years?
- Identify the total number of positions for each of the agency's functional activities? Identify the total number of positions necessary to fulfill the Commission's mission.

Facilities:

- Identify the total number of facilities currently occupied by agency activities. To the extent possible, provide the square footage utilized by each Commission function.
- If not previously discussed, provide information on the funds spent last fiscal year on facility maintenance, remodeling, and facility acquisition.

STAFF RECOMMENDATION: THIS IS AN INFORMATIONAL ITEM, NO ACTION IS NECESSARY.

ISSUE 2: COASTAL DATA MANAGEMENT SYSTEM UPDATE

Governor's Budget Proposal. The Department is requesting a one-time augmentation from the Violation Remediation Account (VRA) (non-general fund) of \$1,136,217 to be available over a period of two fiscal years for the purchase, installation, and implementation of a commercial off the shelf integrated database, including associated licensing and consultant services to design the system and migrate existing data into the new database.

Background. The California Coastal Commission's (Commission) existing permit tracking system was developed in the mid-1990. The current database has significant technological limitations, including the inability to interface with other information technology systems. Furthermore, records from regulatory actions taken between 1973 and 1995 are not captured in the existing system and are tracked via paper records.

STAFF COMMENTS

Staff has no concern with this proposal. This request will enable the Commission to update its existing information technology systems to better track and manage coastal development permits, Local Coastal Plans, and regulatory actions for planning, enforcement, and management purposes. Further, any unneeded funds in the account would return to the VRA.

STAFF RECOMMENDATION: APPROVE AS BUDGETED.

3860 – DEPARTMENT OF WATER RESOURCES (DWR)

ISSUE 1: DEPARTMENT OVERVIEW

Department Overview. The Department of Water Resources 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 efficient use. Since department programs drive the need for infrastructure investment, each department has a related capital outlay program to support this need.

Budget Overview. The January Governor's Budget proposed total expenditures of \$3.5 billion (\$115 million General Fund) and 3,230 positions, a decrease of about \$2.8 billion and an increase of 107 positions over the current-year budget.

Major DWR Programs

Continuing Formulation of the California Water Plan. The California Water Plan is the state's strategic plan for the efficient use, management, and development of the state's water resources. The Plan is updated every five years and provides a framework for water managers, legislators, and the public to consider options and make decisions regarding California's water future. The Plan evaluates current and future water conditions, challenges, and opportunities. It presents basic data and information on California's water resources including water supply evaluations and assessments of agricultural, urban, and environmental water uses to quantify the gap between water supplies and uses. The plan identifies and evaluates resource management strategies such as conservation, recycling, desalination, transfers, storage, conveyance, quality, watershed management, ecosystem restoration, and urban land use management to help meet future demands in light of uncertainties and unexpected catastrophic events.

Implementation of the State Water Resources Development System. The State Water Project is a water storage and delivery system that consists of 30 dams and reservoirs, 22 pumping plants, 3 pumping-generating plants, 5 hydroelectric power plants, and over 660 miles of canals and pipelines. The Project provides water to 25 million Californians and 755,000 acres of irrigated farmland.

The Department plans, designs, constructs, operates, maintains, and manages State Water Project facilities, which provide State Water Project water supply to a network of physical facilities located from Plumas County to the Mexican Border.

The Delta Habitat Conservation and Conveyance Program (DHCCP) is charged with improving the Delta ecosystem and ensuring water supply reliability in a safe, timely, and cost effective manner. This includes development of the Bay Delta Conservation Plan, project specific conservation measures, and the Environmental Impact Report and Environmental Impact Statement.

Public Safety and Prevention of Damage. This program protects life and property from damage by floods, ensures proper construction and maintenance of jurisdictional dams and levees, and provides loans for construction, improvement, and rehabilitation of domestic water systems to meet state standards for drinking water. Activities include preventive floodplain management to discourage unwise development in areas subject to flooding, protection of already developed floodplains, issuance of flood warnings in cooperation with the National Weather Service, operation of flood control facilities, coordination, and supervision of flood fighting activities, and annual levee and flood channel maintenance and inspection. This program also buys land, easements, and rights-of-way for federal flood control projects and supervises the design and construction of new dams and periodic inspection and reevaluation of all existing jurisdictional dams for proper operation and maintenance. Fiscal oversight and coordination activities associated with the Disaster Preparedness and Flood Prevention Bond Act of 2006 are administered under this program. The program also reviews federal dam projects in coordination with federal and other state agencies with regard to dam safety.

Central Valley Flood Protection Board. The Central Valley Flood Protection Board's mission is to control flooding along the Sacramento and San Joaquin Rivers and their tributaries in cooperation with the United States Army Corps of Engineers to provide public safety through flood protection in the Central Valley. The Board cooperates with various agencies of the federal, State and local governments in establishing, planning, constructing, operating, and maintaining flood control works. The Board also maintains the integrity of the existing flood control system and designated floodways through its regulatory authority by issuing permits for encroachments that comply with Board standards.

Services. This program provides technical support within the Department and expertise in the fields of water resources planning, development, and management;

watermaster services; chemical laboratory analysis; electronic data processing; and mapping and surveying for other agencies.

California Energy Resources Scheduling. For a limited period of time, this program purchased electric power on behalf of the state's investor-owned utilities. Beginning January 1, 2003, the utility companies resumed responsibility for purchasing power from the spot market. The utilities, however, continue to receive power from the Department's long-term energy contracts with energy suppliers, under which the Department retains legal and financial responsibility. Additionally, the Department retains the legal and financial responsibility for administering \$8.287 billion in revenue bonds issued to repay the General Fund for money borrowed for power purchases during the energy crisis and funding of reserve accounts necessary to maintain an investment grade credit rating associated with the revenue bonds.

EXPENDITURES BY PROGRAM

Code	Program	Actual 2009-10*	Estimated 2010-11*	Proposed 2011-12*
10	Continuing Formulation of the California Water Plan	\$110,617	\$1,003,436	\$126,560
20	Implementation of the State Water Resources Development System	870,363	1,041,984	1,084,181
30	Public Safety and Prevention of Damage	413,360	1,063,496	317,082
35	Central Valley Flood Protection Board	4,802	5,363	5,561
40	Services	3,213	9,397	9,560
45	California Energy Resources Scheduling	3,724,335	3,357,057	2,057,862
50.01	Management and Administration	67,155	67,776	67,776
50.02	Distributed Management and Administration	-67,155	-67,776	-67,776
99	Loan Repayment Program	-2,752	-1,982	-1,988
Total Expenditures (All Programs)		\$5,123,938	\$6,478,751	\$3,598,818

PERSONNEL YEARS BY PROGRAM

Code	Program	Actual 2009-10	Estimated 2010-11	Proposed 2011-12
10	Continuing Formulation of the California Water Plan	306.2	335.5	335.5
20	Implementation of the State Water Resources Development System	1,733.0	1,678.1	1,784.1
30	Public Safety and Prevention of Damage	479.5	496.0	499.4
35	Central Valley Flood Protection Board	25.4	34.5	34.5
40	Services	21.5	25.9	25.9
45	California Energy Resources Scheduling	46.4	48.2	48.2
50.01	Management and Administration	481.2	505.0	503.0
50.02	Distributed Management and Administration	-	-	-
99	Loan Repayment Program	-	-	-
Total Personnel Years (All Programs)		3,093.2	3,123.2	3,230.6

EXPENDITURES BY FUND

Fund Code	Fund	Actual 2009-10*	Estimated 2010-11*	Proposed 2011-12*
0001	General Fund	\$99,514	\$108,616	\$115,341
0115	Air Pollution Control Fund	-	296	315
0140	California Environmental License Plate Fund	300	299	318
0404	Central Valley Project Improvement Subaccount	702	709	709
0445	Feasibility Projects Subaccount	4	7	7
0446	Water Conservation and Groundwater Recharge Subaccount	-	125	125
0465	Energy Resources Programs Account	2,295	2,401	2,509
0502	California Water Resources Development Bond Fund	591,237	917,291	954,398
0506	Central Valley Water Project Construction Fund	-937	-237	-237
0507	Central Valley Water Project Revenue Fund	274,358	138,848	144,681
0543	Local Projects Subaccount	-	101	101
0544	Sacramento Valley Water Management and Habitat Protection Subaccount	7,578	8,024	26
0744	1986 Water Conservation and Water Quality Bond Fund	-	1,795	1,795
0790	1988 Water Conservation Fund	-	8,974	8,974
0793	California Safe Drinking Water Fund of 1988	472	2,315	2,315
0890	Federal Trust Fund	8,634	18,347	18,405
0940	Bosco-Keene Renewable Resources Investment Fund	-	20	-
0995	Reimbursements	25,722	47,099	48,971
3057	Dam Safety Fund	9,674	10,660	11,282
3100	Department of Water Resources Electric Power Fund	3,724,335	3,357,057	2,057,862
6001	Safe Drinking Water, Clean Water, Watershed Protection, and Flood Protection Bond Fund	668	1,027	1,027
6005	Flood Protection Corridor Subaccount	3,371	8,971	149
6007	Urban Stream Restoration Subaccount	-	2,207	32
6010	Yuba Feather Flood Protection Subaccount	1,870	2,370	1,724
6023	Water Conservation Account	1,156	21,051	1,238
6025	Conjunctive Use Subaccount	37	500	350
6026	Bay-Delta Multipurpose Water Management Subaccount	8,259	30,374	1,686
6027	Interim Water Supply and Water Quality Infrastructure and Management Subaccount	228	6,729	245
6031	Water Security, Clean Drinking Water, Coastal and Beach Protection Fund of 2002	11,750	89,843	8,278
6051	Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Fund of 2006	162,849	801,703	40,805
6052	Disaster Preparedness and Flood Prevention Bond Fund of 2006	189,862	891,229	175,387
Total Expenditures (All Funds)		\$5,123,938	\$6,478,751	\$3,598,818

Department Legal Authority. Department Authority: California Water Code, Division 1, Chapter 2, Article 1; Continuing Formulation of The California Water Plan: Water

Code Sections 10004-10013, 10540-10541; Implementation Of The State Water Resources Development System: Water Code Sections 11100-12017, 12899-12899.11, 12930-12944; Public Safety And Prevention Of Damage: Water Code Sections 6000-6470, 8350-8371, 8400-8415, 8590-8742, 12300-12318, 12570-12751, 12800-12875, 12878-12878.45, 12980-12995; Central Valley Flood Protection Board: Government Code Section 11564 and Water Code Sections 8521 and 8550; Services: Water Code Sections 225-238; California Energy Resources Scheduling: Water Code Sections 80000-80270

Questions for the Department

Mission:

- Describe the purpose the Department fulfills. Provide information on the process by which the Department was established (enabling legislation, or constitutional language).

Organizational Structure:

- How is the Director selected/appointed and to whom does that individual report. Provide any pertinent history regarding organizational changes that have occurred.
- Provide an organizational chart and discuss the major functional units of the Department.

Budget:

- What is the total Department budget?
- Detail revenue by category. Provide a dollar amount and indicate the percentage of the total expenses represented by each category.
- Detail expenses by category. Provide a dollar amount and indicate the percentage of the total expenses represented by each category.
- How do you define administrative costs? What items are included in administration? What percentage of the total expenses would be identified as administrative costs?
- How much did the Department spend last fiscal year on legal costs (internal and external attorneys and litigation costs)?

Personnel:

- How many authorized positions are there for the Department?
- How many of those are currently filled? What has been the vacancy rate over the past two years?
- Identify the total number of positions for each of the agency's functional activities? Identify the total number of positions necessary to fulfill the Department's mission.

Facilities:

- Identify the total number of facilities currently occupied by agency activities. To the extent possible, provide the square footage utilized by each Department function.
- If not previously discussed, provide information on the funds spent last fiscal year on facility maintenance, remodeling, and facility acquisition.

STAFF RECOMMENDATION: THIS IS AN INFORMATIONAL ITEM, NO ACTION IS NECESSARY.

ISSUE 2: IMPLEMENTATION OF BIOLOGICAL OPINIONS

Governor's Budget Proposal. The Department is requesting 18 new permanent full-time positions in FY 2011-12, which will be funded by the State Water Project at an estimated cost of \$2.550 million. Of this request, thirteen positions will be related to Sacramento-San Joaquin Delta Facilities, and will provide support to various program activities performed within the Bay-Delta Office (BDO) Fish Improvement Section. The remaining five positions are needed to carry out various program activities performed by the Department's Division of Environmental Services (DES), including two positions for Suisun Marsh Facilities and three positions for regulatory and operational compliance.

LAO Comments. In January 2011, LAO recommended denying 14 of the 18 positions due to lack of justification. Below is an updated recommendation, based on additional information supplied by the DWR:

- Sacramento-San Joaquin Facilities: **Approve Nine** Various Positions, Reject Only Four Office Technician Positions;
- Suisun Marsh Facilities: **Approve Two** Requested Environmental Scientist Positions; and,
- Regulatory Compliance for Division of Environmental Services: **Approve One** of Three Requested Staff Environmental Scientists.

STAFF COMMENTS

This proposal was denied without prejudice by the Subcommittee on February 7th. Staff concurs with LAO's above recommendations.

STAFF RECOMMENDATION: APPROVE LAO RECOMMENDATION OF THE 12 POSITIONS.

ISSUE 3: MERCURY AND METHYLMERCURY MONITORING AND CONTROL STUDIES

Governor's Budget. The Department is requesting 4 new permanent positions at an estimated cost of \$900,000 funded by the State Water Project (SWP) for the Division of Environmental Services (DES). These positions are needed to carry out various activities for a Mercury Monitoring and Evaluation Group to support the Mercury Total Maximum Daily Load (TMDL) and Basin Plan Amendment (BPA) requirements imposed by the Central Valley Regional Water Quality Control Board (CVRWQCB).

Activities to be performed under this program include: develop in-house mercury expertise to support the evaluation of and minimization of mercury loading associated with DWR wetland restoration and water management activities and support a consolidated mercury evaluation and control program that will coordinate DWR programs and participate in collaborative studies with other agencies/project proponents.

STAFF COMMENTS

This proposal was denied without prejudice by the Subcommittee on February 7th because staff had questions about whether SWP was the most appropriate funding source for these activities. According to the SWP, "while the impacts of the new requirements imposed by the CVRWQCB go beyond just the SWP, there are very limited funding options. These new requirements do impact the SWP, so it is an appropriate funding source for DWR's compliance with the new requirements."

STAFF RECOMMENDATION: SINCE THE ONLY OTHER SOURCE OF FUNDING IS THE GENERAL FUND, STAFF RECOMMENDS APPROVING THE PROPOSAL AS BUDGETED.

ISSUE 4: CRITICAL SUPPORT FOR THE CALIFORNIA STATE WATER PROJECT

Governor's Budget: The Department is requesting 123 new permanent full-time positions. All funding for these positions will be provided by the State Water Project (SWP) through the State Water Project Contractors (SWPC) at an estimated cost of \$14,669,000. Of that amount, approximately \$1,300,000 will be paid to the SWP by the United States Bureau of Reclamation (USBR) under the terms of the existing San Luis Joint Use Contract (for their share of expenses directly or indirectly related to the San Luis Joint Use Facilities, and for Suisun Marsh operations and maintenance under the Suisun Marsh Preservation Agreement). Additionally, an annual savings of at least \$10,000,000 will be realized by reversing the declining operational performance of the SWP.

The requested increase in staffing will be implemented over a planned 3-year period beginning with FY 2011-12. These additional positions will: 1) provide the Department of Water Resources (DWR) with the means for meeting new and expanded operational requirements mandated by various State and federal regulatory agencies; 2) help DWR maintain the aging State Water Project (SWP) infrastructure; and, 3) improve State Water Project public and employee safety. As a result, these positions will help the SWP to remain in operation and deliver water to and for the benefit of the people of California in an environmentally responsible, safe, dependable, secure, and cost-effective manner.

LAO Comments: LAO's initial recommendation was to approve six positions. The Legislature subsequently denied the entire proposal without prejudice to allow the department to respond to the Legislature's questions. Below is an updated recommendation based on extensive communication with the DWR:

- Thirty-Three Future-Year Positions Should Be Rejected; and,
- 87 Positions for SWP Regulatory Compliance, Safety, and Maintenance Have Now Been Justified and Should Be Approved.

STAFF COMMENTS

This proposal was heard and denied without prejudice by the Subcommittee on February 7th due to the size of the request. The Department has demonstrated the need for the 87 positions for regulatory compliance, safety, and Maintenance. The proposed increase in staff could improve the ability of the Department to manage the State Water Project and prevent shut-downs that are the direct result of a lack of maintenance. By improving management of the Project, the public would directly benefit from increased water deliveries.

However, since the Department states that they do not possess the capacity to hire and train all 123 new positions in a single year, staff supports LAO's recommendation to deny approval of the 33 future year positions. Staging the requests for positions over several years provides the Legislature (and the Department) an opportunity to evaluate the impact of adding staff on the operational issues the SWP faces. LAO also recommended withholding approval of the three positions requested for AB 32 implementation. As this issue cuts across all state government and the Governor has asked for more time to review this important issue, staff recommends considering this issue after May Revise.

STAFF RECOMMENDATION: APPROVE 87 POSITIONS FOR SWP REGULATORY COMPLIANCE, SAFETY, AND MAINTENANCE AND REJECT 33 FUTURE-YEAR POSITIONS.

ISSUE 5: SALTON SEA RESTORATION

Governor's Budget Proposal. The Department is requesting \$4.2 million in reimbursement authority for the Salton Sea Restoration Program. The Department of Water Resources (DWR) is under contract with the Department of Fish and Game (DFG) and the Wildlife Conservation Board to support the state's obligations for Salton Sea restoration, mitigation, and monitoring activities as a result of the Colorado River Quantification Settlement Agreement (QSA). This proposal will allow DWR to continue this program through June 30, 2013.

Background. The Legislature passed SB 51 (Ducheny), Statutes of 2010, which requires the creation of a Salton Sea Restoration Council as a state agency within the Natural Resources Agency to recommend a restoration alternative by June 30, 2013 and then oversee implementation of that alternative. The Council has not been created yet, and the Natural Resources Agency has indicated that the Council's establishment will be addressed in the 2012-13 Governor's Budget.

According to DWR, an "approved plan" will not be ready until the Salton Sea Restoration Council gets established and oversees and directs State staff (DFG and DWR) to analyze restoration options. Assuming the Salton Sea Restoration Council does get established in FY 2012-13, there will likely be a lag time of a year or two until the decision on a Restoration Plan is made. In the meantime, the projects identified as "no regrets" still need to get implemented in order to enable the Salton Sea to continue to be able to support the now very limited aquatic and avian species that survive there now. The Sea continues to increase in salinity, making it more difficult for some species to continue to survive.

LAO's Comments. In an April 12, 2011 letter, the Department of Finance requests reappropriation to DFG of \$13 million from the Salton Sea Restoration Fund (including Proposition 84 bond funds) for expenditure on Species Conservation Habitat work to enhance fish and bird habitat in the Salton Sea. An April 13, 2011 letter from DOF also requests \$4.2 million in reimbursements from DFG to the Department of Water Resources for the same purpose (these funds have already been appropriated to DFG and are separate from the reappropriation DFG is requesting).

No Legislatively Approved Plan Exists. LAO recommends that the Legislature deny funding for Salton Sea Restoration projects until the Council has been formed and has developed a restoration plan for the Salton Sea as required by statute. This will ensure that restoration projects will be consistent with the adopted plan.

Uncertain Level of Urgency of Restoration Efforts. The DWR describes the proposed actions that would be funded from the requested reappropriations and reimbursements as “no-regrets” projects that would be consistent with any plan to restore the Salton Sea, including the no-action alternative. However, it is unclear what the need is for immediate action on these projects. The majority of benefits of any restoration plan are likely to be realized only after the completion of the restoration many years from now, and as such, a temporary delay is unlikely to have significant negative consequences on fish and bird species.

Limited Funding Currently Available for Restoration Efforts. Currently, the sole source of funding for Salton Sea restoration efforts is the Salton Sea Restoration Fund (SSRF), which consists of a \$30 million payment by several participants in the QSA and \$47 million from Proposition 84 bond funds. Of that, \$9 million remains unappropriated. Because the SSRF is the sole source of funds at this time, prioritization of restoration efforts is of paramount importance. Denial of these requests will ensure the immediate availability of funds for the activities required by SB 51 and implementation of the plan ultimately recommended by the Council.

STAFF COMMENTS

While the LAO makes several compelling arguments for denying this request, the Subcommittee may want to discuss the potential harm to aquatic and avian species if funding is denied until a Restoration Council is formed and a plan is developed.

STAFF RECOMMENDATION: NO RECOMMENDATION.

ISSUE 6: STATE WATER PROJECT- FISH AND WILDLIFE ENHANCEMENT & RECREATION

Governor's Budget Proposal: The Department is requesting \$757,000 from Proposition 84 bond funds to fund a portion of the state's share of the cost of seismic repairs to the foundation of Perris Dam (part of the State Water Project [SWP]). The total cost of the repairs is projected to be as much as \$300 million, up to \$20 million of which could be allocated to the state under the Davis-Dolwig Act under the Department of Water Resources' (DWR's) calculation of the assumed recreational component of the project. The money will also be used to complete repairs on the Santa Ana Valley Pipeline, which transports water to Lake Perris. This request will provide 5.7 percent of the total expected costs for the project in fiscal year 2011-12.

Background: At the time of construction, the Lake Perris SWP facility was envisioned to serve both water supply and recreational purposes. Recreational activities at Lake Perris have historically consisted of swimming, boating, fishing, and picnicking, but seismic concerns by DWR's Division of Dam Safety resulted in the lowering of the water level at Lake Perris in 2005, hindering recreation at that site. The repairs proposed by DWR that are the subject of this budget request would allow raising the water level at the dam and thereby restore recreational opportunities at Lake Perris to their former condition.

According to DWR, in February 2006, a reconnaissance study to evaluate five options was initiated - an empty reservoir, a lowered reservoir for recreational use, a reservoir permanently at the restricted level of 1563, a reservoir at the historic level of 1588, and expanded reservoir of 700,000-1,000,000 AF. DWR facilitated this reconnaissance study and included stakeholders including MWD, Dessert Water Agency, Coachella Valley Water District (the three SWP water contractors paying for the Perris Project), Department of Fish and Game, Department of Parks and Recreation, and Department of Boating and Waterways. The initial Reconnaissance Study provided a qualitative evaluation of seven alternative reservoir capacities and took into consideration thirteen different "significant issues" for each alternative. The lowest cost alternative was Elevation 1588, which is the option DWR is currently pursuing and the current unimpaired maximum water surface elevation at that SWP reservoir.

Further, DWR states that it has a "statutory and voter approved mandate to provide recreation at SWP facilities. Therefore, the State Park unit located at Perris Reservoir is a condition and result of those codified responsibilities." There is no plan to close Lake Perris, decommission the dam, or otherwise remove the SWP Perris facilities from their codified inclusion in the SWP. Absent reform of the Davis Dolwig Act as proposed by the previous Administration, the recreational purpose at Lake Perris is statutorily a State obligation.

According to the Natural Resources Agency, Lake Perris is one of the largest state parks in the system. Attendance prior to lowering the lake was 1.2 million a year, now it is still running at 600,000. Failure to repair the dam could cause lower water levels greatly impacting park operations. Reduced park operation affects the system and the lake is an economic driver in the area. "Also there is the environmental justice issue associated with further reducing the lake operation."

LAO Comments. *What Purposes Should Lake Perris Serve?* Determining the level, if any, of recreation at the site, is an important policy decision that also affects the extent of the state's funding obligation at the site and should therefore involve the Legislature. (While DWR argues that there is a statutory requirement, approved by the voters, for recreation at this site, it is unclear to us whether such requirement exists). In our view, an analysis should be conducted to determine whether the cost of having recreation at this site is justified by the recreational benefits provided.

The Legislature lacks the information it needs to make an informed policy decision on this budget request. Recognizing that there are various options for making the repairs (depending on the level of recreation to be provided at the site), the Legislature should be provided with a comprehensive analysis of the various repair alternatives and their associated costs (to the state and the SWP contractors) and benefits. With such information, the Legislature can evaluate which alternative most closely aligns with its policy priorities for the Lake Perris site. Such a comprehensive analysis, however, has not been conducted by the Department and provided to the Legislature for its review.

The LAO recommends that this budget request be denied because taking action on it is premature until a more comprehensive analysis of the costs and benefits of various repair alternatives are conducted. Such analysis is required to afford the Legislature the opportunity to make an informed policy decision about the extent of recreation at the Lake Perris site.

STAFF COMMENTS

Some action must be taken to resolve the seismic concerns at the site. There are potentially significant consequences from an earthquake near the site of the dam even with the water level lowered as it is currently. However, there are several possible alternatives for approaching repairs at this site, and the choice of repair alternative depends in part on the extent to which this SWP facility should continue to serve both recreational and water supply purposes. For example, maintaining Lake Perris as a water supply-only project should eliminate the state's obligation under Davis-Dolwig, and may potentially be less expensive to the SWP contractors (who will be paying the bulk of the costs for the repairs) as well. Thus, the level of recreation can impact both the cost of the repairs and the cost attributed to the state.

STAFF RECOMMENDATION: STAFF CONCURS WITH LAO'S RECOMMENDATION TO DENY THIS REQUEST UNTIL A MORE COMPREHENSIVE ANALYSIS OF THE COSTS AND BENEFITS OF VARIOUS REPAIR ALTERNATIVES IS CONDUCTED.

ISSUE 7: DAVIS DOLWIG COST ALLOCATION STUDY

Governor's Budget Proposal. The Department is requesting a one-time transfer of \$34,000 from the Harbors and Watercraft Revolving Fund to the Department of Water Resources (DWR) to fund a portion of the cost of a new cost allocation study. The study would serve to re-estimate the benefits provided by the State Water Project (SWP) in terms of water supply and recreation to assist with the allocation of total SWP costs between these two purposes. This request follows from the recent conclusion of a previous statutorily required study that examined DWR's methodology to calculate the state's share of total SWP costs.

Background. The Davis-Dolwig Act, passed in 1961, states the broad intent of the Legislature that SWP facilities be constructed "in a manner consistent with the full utilization of their potential for the enhancement of fish and wildlife and to meet recreational needs". The Act also specifies that the SWP contractors (water agencies contracting for the deliveries of SWP water) should not be charged for the costs incurred in meeting the requirements of the Act. The DWR has historically used a cost-allocation methodology called Separable Costs-Remaining Benefits (SCRB) to calculate the state's responsibility under Davis-Dolwig. This methodology allocates "joint costs"—those costs that cannot be attributed solely to water supply or recreational purposes—on the basis of the proportion of the benefits provided by the SWP overall that are estimated to accrue to each purpose.

The LAO has raised concerns in the past over DWR's practice of using SCRIB to calculate the state's share of SWP costs. According to the LAO, "the practical implication of the use of this methodology (as implemented by DWR) is that DWR assigns cost responsibility to the state for aspects of SWP that lack any direct recreational component--to even including assigning to the state some of the costs of the study that is this subject of this budget request. Given the "off-budget" nature of SWP (the Legislature only approves SWP positions, not expenditures), the DWR has been able to pursue development of SWP projects without expressed legislative consent, later retroactively billing the Legislature and the state's purse for its estimate of the state's share of the costs of those projects. This runs up against, and potentially conflicts with, the Legislature's exclusive constitutional authority to set its expenditure priorities by making appropriations.

LAO has previously offered three recommendations for policy reforms to the Davis-Dolwig Act:

- Amend the Davis-Dolwig Act to specify that only costs related to *construction of recreation facilities at new SWP facilities* are to be paid for by the state under the Act;
- Specify that SWP no longer incur operational and maintenance costs for state recreation areas, or use SWP funds for these purposes; and,

- Specify that any SWP recreation facilities that are to be developed or improved under a regulatory requirement not give rise to a state funding obligation under the Act.

The above reforms have not been enacted by the Legislature, in part due to legal issues that have been raised by DWR and DOF. Specifically, the Administration has maintained that SCRB is *required* by various contracts and bond covenants that are in place, and that these constraints limit the Legislature's ability to revise the Davis-Dolwig Act to set parameters for the state's funding obligation for recreational expenditures. While informal legal opinions provided to the Legislature on these legal issues suggest an alternative view, it is fair to say that these fundamental legal issues remain unresolved. Until resolved, it will likely be difficult to proceed with any meaningful Davis-Dolwig policy reform.

LAO Comments. *Previous Cost Allocation Study Did Not Address the Legal Issues.* As noted above, the Finance Letter requests funds to perform a recalculation of the benefits that are inputs into the SCRB process used by DWR. The *2010-11 Budget Act* required DWR to hire an independent consultant to evaluate the cost allocation methodology DWR uses to calculate the state's Davis-Dolwig funding obligation. The consultant's report recently concluded that while the manner in which DWR implemented the current methodology is acceptable, the estimates of water supply and recreational benefits from total project costs could be improved. LAO has raised concerns that the scope of the report was too narrow. Being constrained by the task list developed by DWR and by the expertise of the authors, the report fails to address the larger legal questions discussed above. For example, the report appeared to assume the Administration's position that the SCRB methodology is required, without having examined whether SCRB is in fact legally required, and if it is required, how to reconcile that requirement with the Legislature's constitutional authority to set its expenditure priorities and make appropriations.

In light of the concerns over the previous study, and given the unresolved legal issues that are impeding Davis-Dolwig policy reform, LAO considers the study as proposed in this budget request to be premature. The proposed effort may be worthwhile down the road, if some resolution can be reached on the legal issues surrounding SCRB. It is worth noting that the results from re-estimating water supply and recreation benefits are likely to be utilized only if it were ultimately determined that SCRB is legally required. Therefore, in order to facilitate resolution of the legal questions posed above, LAO recommends that an alternative study by an independent third-party contractor be conducted that specifically examines the legal questions raised. That third party should consist of, at a minimum, an academic with legal expertise, such as a University of California law professor. Specifically, LAO recommends that existing SWP contracting authority be used fully to pay for the study, and that the proposed budget bill language be amended as follows:

“The Department of Water Resources shall allocate [an amount to be determined] in existing State Water Project (SWP) contracting authority for an independent third-party review to determine: (1) what legal constraints, if any, exist to proscribe the California Legislature’s ability to revise the Davis-Dolwig statute, with specific attention to the contracts signed by the department with the SWP contractors and to the SWP bond covenants; (2) whether such legal constraints conflict with the Legislature’s authority to make laws and to set its expenditure priorities through its constitutionally granted authority to make appropriations; (3) how any such legal conflicts can be reconciled; and (4) what options exist to resolve the issues. The Department of Water Resources shall submit the task list for the contractor to the Legislative Analyst’s Office for its approval. The contractor shall work in periodic consultation with the Legislative Analyst’s Office, the Department of Finance, and the Department of Water Resources when performing its analysis. The department shall submit this analysis to the budget committees, and relevant policy committees of both houses of the Legislature, no later than January 30, 2012.”

STAFF COMMENTS

The LAO makes a persuasive argument for denying this request. The Subcommittee may wish to discuss whether it wishes to support a new study to evaluate what legal constraints exist that prohibits the Legislature from revising the Davis-Dolwig statute, as suggested by LAO. Alternatively, the Subcommittee could request an opinion from the Attorney General on this matter.

STAFF RECOMMENDATION: DENY PROPOSAL.

ISSUE 8: FLOOD SAFE CALIFORNIA-DELTA KNOWLEDGE IMPROVEMENT PROGRAM

Governor's Budget Proposal. The Department is requesting \$2 million (Prop 1E) in contract support for follow up efforts related to the Delta Risk Management Strategy (DRMS) study and the Delta Knowledge Improvement Program (DKIP) for Flood SAFE. This proposal is an ongoing expense. To-date, total funding for this functional area including this proposal is \$63.3 million.

Background. The DRMS study was the first comprehensive risk-based assessment of Delta levee failure and potential consequences to the State. The Phase 1 report, released in February 2009, identified risks, as a result of seismic, flood, sea level rise and other events, and post-failure consequences that were grossly under-estimated in the past. While a landmark study, it is widely recognized that the Phase 1 report was limited by existing data. The Phase 2 report, to be released in spring 2011, will identify potential measures to reduce the risk and consequences of levee failure.

STAFF COMMENTS

This issue was approved by the Subcommittee, but denied without prejudice in Conference due to concerns that funding any efforts related to DRMS or DKIP prior to the completion of the Phase 2 report was premature. Staff concurs with this evaluation.

STAFF RECOMMENDATION: DENY PROPOSAL.

3860 – PUBLIC UTILITIES COMMISSION

ISSUE 1: DIABLO CANYON SEISMIC STUDY PEER REVIEW PANEL.

Governor's Budget Proposal: The Governor requests an increase of \$393,000 in reimbursements to fund an Independent Review Panel that will review Pacific Gas and Electric's seismic studies of the Diablo Canyon Power Plant per recommendations of AB 1632 (Blakeslee), Chapter 722, Statutes of 2006.

STAFF COMMENTS

The Governor's original proposal requested an increase of \$500,000 in reimbursements for the Commission to contract with a private entity to support an analysis of seismic issues at Diablo Canyon Power Plant. That proposal was denied without prejudice due to concerns raised about the cost of the review and the use of private contractors. The Governor's April Finance Letter proposes a more cost-effective approach than the original January budget proposal for the conduct of the required seismic studies. The proposal now authorizes the PUC to enter into limited-term agreements with the California Geological Survey, State Seismic Commission, the Coastal Commission, and The California Energy Commission to perform analysis of seismic studies at the Diablo Canyon Power Plant.

STAFF RECOMMENDATION: APPROVE AS BUDGETED.

VARIOUS - REGIONAL CONSERVANCY

ISSUE 1: CAPITAL OUTLAY DEFINITION FOR LAND AGENCIES

Background. The definition of capital outlay contained in the Budget Bill, SB 69, limits bond expenditures further than the bond language itself. Proposition 84 specifically allows bond expenditures for such things as protection and restoration of natural lands. The language is tied to Proposition 84 appropriations for several state agencies: the Wildlife Conservation Board, the State Coastal Conservancy, the Rivers and Mountains Conservancy, the Santa Monica Mountains Conservancy, the San Diego River Conservancy, and the Coachella Valley Mountains Conservancy.

The definition of capital outlay underlined below could restrict agencies from spending bond funds on those authorized projects, as well as other capital outlay expenditures authorized by the state General Obligation Bond Law. Since this language will impact agencies, who for the most part only have Proposition 84 dollars left, it severely restricts the projects they can fund and is not in line with what voters approved.

The amount appropriated in this item is available for encumbrance or expenditure for either capital outlay or local assistance until June 30, 2014. The term capital outlay as used in conjunction with this appropriation means the acquisition, design, or construction of improvements on land owned, or leased, by the state.

STAFF RECOMMENDATION: REMOVE THESE PROVISIONS FROM APPROPRIATIONS AT ALL THE AFFECTED AGENCIES AND CONSERVANCIES.
