

AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 3 NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION

Assemblymember Ira Ruskin, Chair

**WEDNESDAY, MAY 28, 2008
STATE CAPITOL, ROOM 437
UPON CALL OF THE CHAIR**

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CONSENT CALENDAR

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| 3790 | Department of Parks and Recreation | Reappropriations: Reappropriate until June 30, 2009 funding provided in the 2000 budget act for the San Dieguito River Park Joint Powers Authority. This action conforms with the Senate. |
| 3790 | Department of Parks and Recreation | Reappropriations: Reappropriate until June 30, 2009 funding provided in the 2000 budget act for the Columbus Youth Center, soccer field and pocket park in the City of Los Angeles. This action conforms with the Senate. |
| 3860 | Department of Water Resources | May Revise. In the May Revision, the Administration is proposing to transfer a total of \$3.5 million from the California Water Fund and Environmental Water Fund to the General Fund |
| | | |

VOTE ONLY**3600 – DEPARTMENT OF FISH AND GAME****8570 – DEPARTMENT OF FOOD AND AGRICULTURE**

ISSUE 1: LAO RECOMMENDATION: QUAGGA MUSSEL FUNDING

LAO Recommendation. The Governor's budget proposes \$5.2 million (General Fund) for the Quagga Mussel related activities in Department of Fish and Game (DFG) and Department of Food and Agriculture (CDFA) in the budget year, but splits this as direct appropriations to DFG (\$2.8 million) and CDFA (\$2.4 million). The LAO is recommending that the quagga mussel-related activities in DFG and CDFA be funded from the Harbors and Watercraft Revolving Fund. The spread of quagga mussels is directly related to recreational boating, and recreational boaters support the Harbors and Watercraft Revolving Fund through registration fees and gas taxes. We believe there is a closer nexus between the fee payers and the program activity with the Harbors and Watercraft Revolving Fund than with the FGPF. While there is a large balance in the Harbors and Watercraft Revolving Fund, there is a structural imbalance in the fund. This means that in the out years, there will be pressure on the grant program supported by the fund. Accordingly, the LAO believes that our proposed funding shift is sustainable only through 2009-10.

STAFF RECOMMENDATION: Approve LAO recommendation

3790– DEPARTMENT OF PARKS AND RECREATION

ISSUE 1: BUDGET BILL LANGUAGE

Staff recommends that the Subcommittee adopt the following Budget bill language to provide the Department authority to enter into agreements with cooperative associations to support State Parks operations.

Provisions 1.

Notwithstanding any other provision of law, the department is authorized to enter into a contract for fee collection and other services required by the department with a cooperative association that has and will continue to fund state employees on an ongoing basis.

STAFF RECOMMENDATION: Approve budget bill language

3900– AIR RESOURCES BOARD

ISSUE 1: LAO RECOMMENDATION: AB 32 (NÚÑEZ) SUPPLEMENTAL REPORT LANGUAGE

Staff Recommends that the subcommittee adopt the LAO's proposed Supplemental Report Language that would require the Board to provide with the annual state budget a cross cut budget of AB 32 (Núñez) implementation activities. With this cross cut budget, staff recommends that the Board also include five-year work plans for each department that shows how staff and contracting resources will be allocated to achieved specified deliverables.

The Air Resources Board, in conjunction with the Secretary for Environmental Protection, shall provide to the Legislature, at the time of the annual submittal of the Governor's budget, a budget that shows all funding proposals across all state agencies included in the Governor's budget (including base funding and budget change proposals) that the administration classifies as part of its implementation of Chapter 488, Statutes of 2006 (AB 32, Núñez)—the Global Warming Solutions Act of 2006. In addition to the cross cut budget, the Board shall provide five-year work plans for each department that shows how staff and contracting resources will be allocated to achieve specified deliverables.

STAFF RECOMMENDATION: Approve LAO recommendation with staff amendments

3810 – SANTA MONICA MOUNTAINS CONSERVANCY

ISSUE 1: BUDGET BILL LANGUAGE

Budget Bill Language. The Conservancy has requested approval of the following budget bill language in order to address delays related to AG review of grant programs.

Provisions

1. The Santa Monica Mountains Conservancy shall execute a Memorandum of Understanding with the Office of the Attorney General providing for the reimbursement of the Attorney General's costs for reviewing the Santa Monica Mountains Conservancy's grant awards and attending the Santa Monica Mountains Conservancy's meetings.

Staff Comments. Staff has no issues with this proposal.

STAFF RECOMMENDATION: Approve as proposed.

3980— OFFICE OF ENVIRONMENTAL HEALTH HAZARD AND ASSESSMENT

ISSUE 1: APRIL FINANCE LETTER: LIGHT BROWN APPLE MOTH

April Finance Letter. The Administration is proposing an increase in reimbursements of \$625,000 to provide the Office of Environmental Health Hazard Assessment (OEHHA) additional reimbursement authority. This additional authority will allow the OEHHA to enter into an agreement with the California Department of Food and Agriculture (CDFA) to provide scientific guidance and support for the CDFA's Light Brown Apple Moth eradication efforts. The request also proposes 3.0 positions on a three-year limited term basis to address the increased workload associated with OEHHA's physician training, health information development, and data collection on aerial spraying and the use of pheromones in this pest management effort.

STAFF RECOMMENDATION: Staff has no issues with this proposal.

8570— DEPARTMENT OF FOOD AND AGRICULTURE

ISSUE 1: BUDGET BILL LANGUAGE

Budget Bill Language. The following Budget Bill language provision is being proposed by CDFA, with concurrence from DOF, for funding AB 32 activities for the 2008/09 Budget Bill that are included in the Department's base budget.

Provisions

1. Notwithstanding any other provision of law, \$338,000 of the funds appropriated in this item shall be made available for the implementation of the Global Warming Solutions Act of 2006. Funding made available in this provision to implement the act shall not result in a reduction of funding for county agricultural commissioners.

2. Notwithstanding any other provision of law, \$338,000 of the funds appropriated in this item shall be made available for the implementation of the Global Warming Solutions Act of 2006. Funding made available in this provision to implement the act shall not result in a reduction of funding for county agricultural commissioners.

Of the amounts appropriated in this section to implement the Global Warming Solutions Act of 2006, expenditures shall only be used to develop improved greenhouse gas emission reduction methods that are the maximum technologically feasible and cost-effective while maintaining a viable food production system. Such methods shall be demonstrated as part of an agricultural system and may include, but are not limited to, ~~efficiency improvements~~ **energy efficiency improvements**, manure management, animal husbandry **practices**, and methane capture, ~~carbon sequestration~~, **conservation tillage practices**, agricultural biomass recycling and reuse, **water conservation and improved irrigation efficiency**, **increased integrated pest management activities**, and improved cropping systems.

STAFF RECOMMENDATION: Approve budget bill language with staff amendments

ISSUES TO BE HEARD

3790 – DEPARTMENT OF PARKS AND RECREATION

ISSUE 1: LONG TERM SOLUTION TO FULLY FUND STATE PARKS

California’s state park system is the largest system in the nation. More 1.5 million acres of land are managed for natural, cultural and historical resource values in the 278-unit park system. California’s state park system hosts more than 77 million visitors annually and houses over 3,100 historic buildings and more than 14,000 individual and group campsites.

Chronic under funding of the Department has pushed the Systems' sustainability to the tipping point. The Department estimates it has an annual shortfall of ongoing maintenance of approximately \$117 million. Foregoing such basic annual maintenance and upkeep has resulted in a more than \$1.2 billion backlog of deferred maintenance. Over the last several years, funding support for the Department of Parks and Recreation has been significantly unpredictable. In FY 1990-91, per capita spending to support the state parks system was \$4.16. In the FY 2008-09 budget proposed by the Governor in January, per capita spending was down to \$2.80.

Alternative Long Term Solution to Fully Fund State Parks. The "State Park Access Pass" proposal has been developed in order to generate sustainable, long term funding for the Department, increase services, protects assets and brings the State Park System back to the Public as it was intended through the free access to California residents.

\$10 Dollar Vehicle Registration Surcharge. Under this proposal, a \$10 annual surcharge called the “State Park Access Pass” would be assessed on all vehicles except trailers and those commercial vehicles subject to the CVRA fee. In exchange, all California registered vehicles would get free day use access to state parks. This fee would raise approximately \$282 million in revenue and would provide funds for the following:

- \$40 million to backfill loss of entrance fees at gate receipts
- \$120 million increase for maintenance
- \$60 million increase for operations and public safety
- \$62 million to reduce deferred maintenance deficit – may be bonded against

Proposal 4-year Roll out. In addition to providing a long term funding solution for Parks, this proposal would also provide a short term benefit to the General fund of \$300 million that will be spread over the first 4 years.

| | Benefit to the General Fund | Benefit to Parks |
|--------|------------------------------------|-------------------------|
| Year 1 | \$150 million | \$92 million |
| Year 2 | 100 million | 142 million |
| Year 3 | 50 million | 192 million |
| Year 4 | 0 | 242 million |

STAFF RECOMENDATION. Approve trailer bill to enact the "State Park Access Pass". in concept.

3480 – DEPARTMENT OF CONSERVATION

ISSUE 1: SOIL CONSERVATION FUND PERMANENT BASELINE AUGMENTATION

The Governor's budget is requesting a permanent augmentation of \$910,000 (Soil Conservation Fund) and five permanent positions to conduct standard enforcement activities at the state level in order maintain consistent Williamson Act contract implementation statewide. These positions were also requested to backfill cuts that were made in prior years due to General Fund reductions.

Staff Comments. Staff understands that there is concern that these funds not be used as a mere means to enhance revenues by conducting standard enforcement, but be focused on assisting local jurisdictions, particularly those that have a history of non-compliant Williamson Act contracts, in policy development and to coordinate compliance programs in order to maintain consistent Williamson Act contract implementation state wide.

STAFF RECOMMENDATION: Approve \$910,000 from the Soil Conservation Fund and add the following BBL to Item 3480-001-0141

1. *Of the funds appropriated in this item, \$910,000 is available for the Department to provide technical assistance to local jurisdictions that have a history of non-compliance with Williamson Act policy development, assist compliance with state law and contract terms as they relate to state law, and provide procedural guidance programs, in order to maintain consistent Williamson Act contract implementation statewide.*

3540– DEPARTMENT OF FORESTRY AND FIRE PREVENTION

ISSUE 1: CLIMATE CHANGE AND URBAN GREENING

In the Governor's budget, the Department requested in two proposals a total of \$87.5 million (Proposition 84) over a ten year program to fund a wide range of existing programs in urban forestry, reforestation, fire prevention and ecosystem health that will have GHG reduction impacts.

May Revise. In the May Revise, the Department has requested to withdraw the Climate Change Proposal for \$4.4 million in funds.

Urban Greening Local Assistance: The Department is requesting \$5.4 million (Proposition 84) for the second year of grants for the Department's Urban Forestry program to increase: urban forest resources; vegetative cover in cities; prevalence of native species of trees; and participation by local communities in the management of urban forest resources.

Urban Forestry and Air Quality. Recent studies conducted at UC Davis have shown that tree species such as Redwoods are very effective at filtering out particulate emissions and heavy metals from the air. When planted around schools or parks in urban settings, these trees can act as filters to protect children in close proximity to vehicular traffic from the harmful effects from emissions and road-born dust and heavy metals.

At the hearing, the Department should be prepared to discuss whether urban forestry programs prioritize funds to achieve health quality benefits and specifically, how programs focused on bringing more trees to schools prioritize this potential benefit when selecting tree species.

STAFF RECOMMENDATION: Approve May Revision Finance Letter to withdraw Climate change proposal. Approve the second year of Urban Forestry Grants. Approve the following budget bill language.

Provisions:

1. Of the funds provided in this item, grants issued for the purpose of planting new trees shall provide a preference for the following:
 - (a) Projects that plant of regionally-appropriate, large-canopy shade trees or through the maintenance and preservation of regionally-appropriate, healthy, and structurally safe large canopy shade trees.
 - (b) Projects that preserve existing trees through the use of Best Management Practices, including, but not limited to proper long-term maintenance, community education, urban forest inventories, and tree planting and preservation ordinances.
 - (c) Projects that require community involvement in the planting and stewardship of urban and community trees.
 - (c) Projects that develop regionally appropriate Best Management Practices to guide future tree planting programs.
2. Of the funds appropriated in this item, \$500,000 shall be available for a pilot project planting trees on school grounds with high rates of exposure to vehicle emissions as buffers along major transportation routes in order to filter toxic particulate pollution and thereby improve air quality and benefit health.

ISSUE 2: EMERGENCY RESPONSE INITIATIVE

May Revision. As amended by the May Revision and April Finance Letter, the Administration is proposing to appropriate \$77.95 million from the Emergency Response Account for the following in the budget year:

- **\$49.1 million to backfill** the Department's General Fund budget balancing reductions for its fire protection budget.
- **\$28.9 million for "4-0" Vehicle Staffing** – The proposal would increase staffing requirements from 3 fire fighters to 4. The Department feels that this proposal would help the Department provide higher levels of statewide fire protection services and help them with administrative issues related to sudden surges in staff needs during larger fires. Over the last few years, the Administration has used Executive Orders to increase staffing on a as-needed-basis; this proposal would make it mandatory statewide, year-round.
- **\$929,000 for Administration of the proposed increased staffing.**

Expenditures Planned for Out-years. The Department indicates that in the budget year there will not be enough revenue from the surcharge to support the originally proposed multi year plan for automatic vehicle locators or new equipment such as helicopters and engines. Staff understands that the Administration plans on pursuing these actions in future years.

Emergency Response Initiative. The January Governor's budget proposed the Wildland Firefighting Initiative to enhance the emergency response capabilities of CAL FIRE, the Office of Emergency Services (OES), and the Military Department. The Administration is proposing a revised Emergency Response Initiative (Initiative) to address legal concerns with the initial proposal. Specifically, the revised Initiative will:

- Establish a two-tier fee structure on residential and commercial insurance policies based on hazard zone designations.
- Specify that OES administer the fee and the newly created Emergency Response Account.
- Clarify that the fee would be paid by insurance policyholders, not the insurance companies.
- Provide a \$30.0 million loan from the Restitution Fund to the Emergency Response Account to enhance emergency response capabilities beginning in fiscal year 2008-09.

Staff Comments. The Emergency Response Initiative insurance surcharge was approved in Assembly Subcommittee 4 on May 22nd. The proposal before Subcommittee 3 would be to use the funding generated from that surcharge in the budget year to backfill the proposed cuts for fire protection and provided funding to increase staffing on department engines from three firefighters to four. Staff supports both uses of the revenue and recommends approval as budgeted.

STAFF COMMENTS. Approve as budgeted.

3600– DEPARTMENT OF FISH AND GAME

ISSUE 1: MULTIPLE SPECIAL FUND LOANS AND TRANSFERS TO THE GENERAL FUND

May Revise. It is requested that General Fund loans be provided from the following special funds:

- California Waterfowl Habitat Preservation Account - \$2.5 million.
- Oil Spill Prevention and Administration Fund - \$13.0 million.
- Hatchery and Inland Fisheries Fund - \$4.0 million.

It is the Administration's intent that these loans be repaid to ensure that the programs supported by the special funds are not adversely affected by the loan.

It is also requested that funds be transferred to the General Fund from the following special fund:

- Department of Fish and Game: Coastal Wetlands Account—\$4.7 million.

Staff Comments. While the proposed funds for transfer or loan support important programs at the Department, staff recommends that the Subcommittee take an action to adopt most of them, with the following exemptions and amendments, because of their benefit to the General Fund.

California Waterfowl Account: Because California Waterfowl Account is treated as an endowment and interest earnings from the principal balance are used to fund program expenditures, staff feels that this loan could adversely affect the programs supported by the account because of reductions in interest earned. Staff feels that this proposal should be rejected on this basis.

Hatchery and Inland Fisheries Fund. Staff shares concerns raised that fishing license fees that support this fund should not continue to increase so long as the proposed loan to General Fund loan remains outstanding.

STAFF RECOMMENDATION. 1) Reject the proposed loan of the California Waterfowl Account to General Fund. 2) Approve all other proposed loans and transfers to the General Fund. 3) Approve trailer bill language freezing fishing license fee increases until the loan to the Hatchery and Inland Fisheries Fund is repaid.

ISSUE 2: OIL SPILL PREVENTION PROGRAM

Governor's Budget. The Governor's budget is requesting an augmentation \$250,000 from the Oil Spill Prevention Administration Fund (OSPAPF) to fully fund the operation of the Physical Oceanographic Real Time System (PORTS) by the Marine Exchange for the purpose of helping recreational boaters, ferry boats, merchant shipping and other users navigate safely through the bay.

Currently, the Department provides \$126,000 per year in local assistance to the Exchange for PORTS operation with other funding coming from the Exchange and the Department of Boating and Waterways. This proposal would provide full funding from the Department and allow the Department to use local assistance funds previously dedicated to PORTS for other oil spill related grant programs.

April 1 Finance Letter. In an April 1 Finance Letter, the Department is requesting a one-time augmentation from OSPAPF of \$230,000 and ongoing funding of \$70,000 to allow the Marine Exchange expand the PORTS program with additional marine sensors that will be placed in areas that are not currently monitored by the system.

Oil Spill Response Grants. Additionally in the April 1 Finance Letter, the Department is requesting two items: 1) An augmentation of \$650,000 in local assistance grant funds to provide grants to local governments to purchase oil spill response equipment to minimize the adverse effects of future oil spills. These grants will be in the amount of \$25,000 to any local government entity adjacent to marine waters (26 counties) to purchase response equipment that can be pre positioned throughout the state; and 2) \$104,000 for one two-year limited term position to oversee the Oil Spill Response Grant Program and to provide training to the local governments on how to use the oil spill response equipment.

May Revision. In the May Revision, the Administration is proposing to make a general fund loan of \$13 million from the OSPAPF.

Background. PORTS is a twenty four hour a day system that uses an array of measuring instruments, cable, radio, and telephone systems to measure the currents, depth, and wind in the San Francisco and Suisun Bays. Measurements are taken every six minutes and are available by phone or internet to users of the bay.

Staff Comments. Over the last three years, the Department has maintained sizable fund balances in the OSPAPF – when the budget was released, the projected 2008-09 fund balance was \$15.1 million (down from \$18.7 in 2006-07). Combined, the Department is requesting a total of \$1.13 million in new funding from the OSPAPF for the Oil Spill Response Program with an additional loan to the General Fund of \$13 million. Staff supports these proposals as they are good step forward for the program and while there were prior concerns that the proposal wasn't aggressive enough, the fund balance for the OSPAPF after the May Revision can not support any additional augmentations.

STAFF RECOMMENDATION: Approve as budgeted

ISSUE 3: PROPOSITION 84 COASTAL SALMON RESTORATION FUNDS TRAILER BILL LANGUAGE

Governor's Budget. On April 9, 2008 the Subcommittee approved the Governor's budget proposal for \$10.8 million (Proposition 84) for grant funds and eight permanent and six temporary positions to support the Coastal Salmonid Monitoring Plan Implementation, Coho Recovery Plan Implementation, and Coastal Steelhead and Chinook Recovery.

Trailer Bill Language. Staff understands that there technical trailer bill language needed that has no opposition in order to direct the expenditure of these funds to follow statutory guidelines for salmon restoration projects that cap the amount that can be diverted for administrative overhead and assure transparency on how DFG selects projects in its RFP process.

STAFF RECOMMENDATION: Approve the following trailer bill language that requires that expenditure of Prop 84 Coastal Salmon Restoration Funds follow statutory guidelines for salmon restoration projects that cap the amount that can be diverted for administrative overhead and assure transparency on how DFG selects projects in its RFP process.

SECTION 1. Section 6217.3 of the Public Resources Code is amended to read:

(2) In addition to the amount allocated in (b) (1), the Department of Fish and Game may annually allocate up to six hundred thousand dollars (\$600,000) in fiscal 2008-09 and two million five hundred twenty thousand dollars (\$2,520,000) in fiscal 2009-10, 2010-11 and 2011-12, for the Coastal Salmonid Monitoring Plan.

(c) (1) Except for the funds allocated by the department for the Coastal Salmonid Monitoring Plan, and as provided in ~~paragraphs (2) and~~ paragraph (3), the process governing the expenditure of funds described in Section 6217.1 shall be applied to the expenditure of ~~all funds~~ the forty-five million dollars (\$45,000,000) allocated by the Department of Fish and Game during fiscal 2008-09, 2009-10, 2010-11 and 2011-2012 pursuant to subdivision (b).

(2) The funds annually allocated to the Coastal Salmonid Monitoring Plan are exempt from the requirements of Section 6217.1.

(3) If there is a conflict between a provision of this section and a provision of Division 43 (commencing with Section 75001), the provision of Division 43 shall govern.

3640– WILDLIFE CONSERVATION BOARD

ISSUE 1: MAY REVISION: HABITAT CONSERVATION FUND/ 1E FLOOD CORRIDOR FUND SHIFT

May Revision. The January Governor's budget proposed a General Fund transfer in the amount of \$20,382,000 to the Habitat Conservation Fund (HCF) to meet the annual HCF transfer requirement. Proposition 1E provides \$290.0 million for the enhancement of flood protection corridors, including projects that preserve the wildlife value of the properties. Consequently, these funds are eligible to be used to meet the HCF transfer requirement. This proposal would shift the funding source of the HCF transfer from the General Fund to Proposition 1E, resulting in General Fund savings of \$20.4 million.

STAFF COMMENTS. Staff supports this proposal and feels that it is necessary to prevent further cuts to General Fund supported programs in the Resources Agency.

STAFF RECOMMENDATION: Approve proposal

ISSUE 2: SPECIAL FUND/GENERAL FUND SHIFT (SENATE ACTION)

Senate Action. The Senate took actions to remove all of the WCB's General Fund (\$204,000) in lieu of the BBR and supplanted the General Fund with the Wildlife Recreation Fund.

STAFF RECOMMENDATION: Staff recommends that the Subcommittee conform with the Senate resulting in a savings of \$204,000 General Fund.

3860 – DEPARTMENT OF WATER RESOURCES

ISSUE 1: FLOODSAFE CALIFORNIA

Governor's Budget: The Governor's budget is requesting \$461 million and 14 new permanent positions and 1 new 4 year limited term position from Propositions 1E and 84 for a variety of ongoing and new flood protection programs under the Department's FloodSAFE program as follows:

1: Make Urgent Repairs and Improvements to the State-Federal Flood Control System in the Central Valley. \$170 million (Proposition 1E) to allow the Department to provide competitive grants to local agencies for flood control levee improvements.

2: Make Urgent Repairs and Improvements to the Flood Control System in the Delta. \$67.5 million from Propositions 1E and 84 for the following:

- Programmatic Habitat Restoration (\$5.5 million)
- Delta Risk Management Strategy (DRMS) Concepts Augmentation (\$2 million)
- Delta Levee System Integrity (\$58 million)
- Meins Landing Implementation (\$2 million)

3: Manage the State-Federal Flood Control System in the Central Valley.

\$800,000 to support studies on erosion and sediment deposition in Sycamore Creek in Chico, California, resulting from the operation of the Sycamore Creek Diversion Channel. This funding will be one time.

4: Central Valley Flood Management Plan (April Finance Letter). \$7.5 million and 7.0 positions to develop the Central Valley Flood Management Plan.

5: Perform Engineering Evaluations and Assessments of the State Federal Flood Control System and the Delta.

The Department is requesting \$10 million for developing and updating hydrology and hydraulic information for use in the development and implementation of flood management projects, including: floodplain mapping; flood inundation modeling; improved river runoff forecasting; enhanced reservoir operation coordination; flood system and facilities evaluation; and evaluation emergency response needs.

6: Support Flood Management Programs Outside the State Federal Flood Control System. The Department is requesting \$154.3 million (Prop 1E/84) for the following:

- Flood Control Subventions - \$100,000 million
- Feasibility Study, Levee Evaluation, Regional Flood Management Planning Grants (\$30 million Prop 1E/84) – Requested funds would be used for local assistance in the form of Statewide competitive grants to allow local agencies to conduct the necessary evaluations and regional planning efforts to reduce future flood risk.
- Floodway Corridor Program (\$39.5 million Prop 1E) – Requested funds would allow the Department to manage the grant program, oversee disbursements of grant funds, monitor progress of the projects and provide accounting oversight of bond expenditures.
- Flood Protection Corridor Program (\$12.1 million Prop 84) – Requested funds would continue local assistance grant funds and program delivery for the program funded in 2007-08 funded by a \$24 million appropriation in the budget.
- Alluvial Fan Task Force Implementation (\$500,000 Prop 84) – Requested funds would implement findings of the 2007 Alluvial Fan Task Force Report to protect Southern California from Alluvial fan flooding.

7: Provide Emergency Preparedness and Flood Response.

The Department of Water Resources is requesting \$58 million (Prop 84) for the following:

-Enhance Flood response and Preparedness (\$3 million Prop 84) – The requested funds will be used to contract with NOAA for data collection activities and with consultants to develop protocols for coordinated local response plan development and training.

-Improve Readiness and Emergency Response – Major Delta Levee Failure (\$54 million Prop 84)

Staff Comments. In 2007-08, the Legislature approved nearly \$550 million from Propositions 1E and 84 to initiate the first year of the Department's FloodSAFE program. In the 2008-09 budget, the Administration is essentially proposing the second year of funding for the Floodsafe Expenditure plan that was approved in the Subcommittee in 2007-08. New major augmentation requests added to this plan are limited to a proposal to expend \$54 million (Proposition 84) to stockpile flood fighting supplies in the Delta in preparation of a potential collapse of Delta levees and the state's drinking water conveyance systems.

All of the funding requests in this proposal are consistent with the bond acts and staff is unaware of any major concerns with how funding has been spent in the current year. Staff Recommends that these proposal be approved as budgeted with the additional intent that they correspond with prior actions related to the transfer of Prop 1E to the Habitat Conservation Fund.

Additionally, under the flood control subvention program, local municipalities have to wait for the Army Corps of Engineers to get funding in order start project planning before they can move forward and begin actually funding the project with the local/state match. While local municipalities are waiting, they are liable for that flood project if a flood occurs. Staff recommends that the subcommittee adopt budget bill language that would give the flood control subventions program authority to make loans to local agencies with the purpose of accelerating the corps process of initiating a project.

STAFF RECOMMENDATION: 1) Approve the proposal as budgeted. 2) Approve a supplemental augmentation of \$100 million for Delta Levees. With related trailer bill language as detailed below. 3) Approve the following Budget Bill Language related to the flood control subventions program:

Trailer Bill Language

Requires that \$100 million (Prop 84, Sec 75033) be used to fund general levee projects throughout the Delta that will, among other things, improve the stability of the Delta Levee System, reduce subsidence, and assist in restoring the ecosystem of the Delta. Priority shall be given to projects that improve conditions for Delta smelt and other native fish and should include, but are not limited to all of the following projects: Yolo Bypass; Suisun Marsh Restoration; Dutch Slough restoration; Decker Island; Cache Slough enhancement; and implementation of the McCormack Williamson Tract flood control and ecosystem restoration project.

Budget bill language

1. The department may loan funds from this item to a local agency that would be the non-federal sponsor of a Corps of Engineers flood control project approved by the Legislature for state cost-sharing under Section 12587.5 of the Water Code. Funds provided by these loans may only be used for the purpose of advancing monies to the federal Corps of Engineers for design and environmental work on the project as a means to accelerate the completion of the project. The loan shall not be more than fifty percent of the funds advanced to the Corps.

ISSUE 2: BAY DELTA CONSERVATION PLAN: ALTERNATIVE DELTA CONVEYANCE STUDIES

Governors January 10 Proposal: In January the Governor released a proposal to fund eight full time positions funded from State Water Project Funds to begin the Environmental Impact Report/Environmental Impact Statement for a potential alternative conveyance facility in the Delta.

In response to crashing ecosystems in the Delta, the State has been supporting various Delta-related planning efforts including the Delta Vision Task force that have all agreed that current water conveyance in the Delta is not sustainable from either an environmental or water supply perspective. As recommended by the Delta Vision, this proposal would provide staff augmentations to manage technical studies to begin studying alternatives available for improving the Delta water conveyance systems by looking at the following:

- The possibility of no new Delta conveyance facility;
- The possibility of a dual conveyance facility, as suggested by the Task Force;
- The possibility of an isolated facility;
- The possibility of substantial improvements and protections of the existing water export system, most often referred to as 'armoring the Delta' or a "through-Delta" solution.

Knowledge gained from this process will be integrated into the ongoing public Bay Delta Conservation Plan (BDCP) discussions between State and Delta stakeholders. Ultimately, it is the goal of the BDCP that an overarching habitat conservation plan agreement on the Delta be achieved that will provide regulatory assurances for water exports in exchange for aquatic and terrestrial environmental mitigation and enhancement that are above and beyond the requirements of CEQA and NEPA.

Staff Comments. Staff agrees with the Department that if the State wants to develop a comprehensive plan to protect the health of the Delta ecosystems and insure secure statewide water deliveries, it needs to begin conducting the technical studies of improvements/alternatives to the current approach of moving water through the Delta.

In discussions with staff, the Department has stated that it is intended that the final decision of whether or not to begin construction of an alternative conveyance facility will be concluded through the public BDCP process. Additionally, according to DWR staff this proposal does not provide any new authorization to the Department to build a peripheral canal. Because this issue of what level of authority the Department has to physically construct an Alternative Conveyance structure has been a central issue of importance for the Legislature, when action is taken on this issue, the Subcommittee may wish to approve these positions on a 4-year limited term basis and restrict their workload to the completion of related CEQA and NEPA documents.

STAFF RECOMMENDATION. Approve positions on a four year limited term basis to restrict their workload to the completion of related CEQA and NEPA documents.

ISSUE 3: INTEGRATED REGIONAL WATER MANAGEMENT PROGRAM (IRWM)

Governor's Budget: The Governor's budget is requesting \$1.3 billion over 9 years, \$965 million from Proposition 84 for IRWM grants and \$289.5 million from Proposition 1E for stormwater grants, and \$6.5 million in Proposition 50. This proposal will include a total of 31.5 positions (13 new and 18.5 redirected) for support of the program. In General, this proposal would fund the Department's effort to complete its guidelines for the IRWM program and use them to begin awarding the various planning, project and technical assistance grants that were contained in the proposition.

LAO Recommendations. The LAO recommends that until there is policy direction provided for this program, the Legislature should only approve at this time funding required to complete the IRWM guidelines, which should total \$2.5 million.

Staff Comments. Staff concurs with the LAO's recommendation that prior to approving grant funding for this program; the Legislature should establish its policy priorities for how IRWM grants are made. In the Assembly, the policy questions surrounding IRWM implementation has been primarily negotiated through Assembly Bill 1654 (Huffman). In order to move this funding proposal to conference with the policy that will affect its expenditure, staff recommends that the subcommittee approve as trailer bill the contents of this bill as they relate to the implementation of the IRWM program.

Additionally, the Subcommittee has made it a priority to address drinking water issues in disadvantaged communities. As discussed in prior hearings, one of the principle barriers that disadvantaged communities face in accessing clean drinking water is their complete reliance on groundwater for their communities. The IRWM program provides the best opportunity for either regional treatment of groundwater or new sources of cleaner surface water to these communities. Staff recommends that the Subcommittee adopt trailer bill language requiring that a portion of IRWM be focused to address drinking water issues for disadvantaged communities.

STAFF RECOMMENDATION: Approve as budgeted with amendment that Implementations grants be reduced from \$300M in the budget year to \$100M.

Approve the following additional supplemental augmentations:

1. \$48 million (Proposition 1E) for Stormwater Flood management grants.

Approve trailer Bill approve trailer bill that places the following requirements on IRWM implementation:

1. Require that 10 percent of all IRWM funds allocated in Section 75026 of Prop 84 and Section 5096.827 of Prop 1E be used to fund projects designed to provide targeted benefits to disadvantaged communities
2. Require that 10 percent designated for disadvantaged communities from IRWM "unallocated", \$1 million will be available to contract with Tulare County to conduct a

feasibility study assessing feasible regional solutions to the drinking water and wastewater needs of disadvantaged communities.

3. Require Tulare County to, upon receipt of the Regional Infrastructure Pilot Project Grant, from the Department of Public Health, consult with a local stakeholder group, including representatives from disadvantaged communities, on the distribution of these grant dollars to fund regional, sustainable water systems in disadvantaged communities in Tulare County.
4. Prohibits DWR from approving, after January 1, 2011, integrated regional water management grants for plans that do not include climate change analysis, unless climate change information is not available or does not apply to a particular planning area.
5. Establishes statutory principles to guide the implementation of the Integrated Regional Water Management Program that reflect those established by AB 1654 (Huffman).

ISSUE 4: PROPOSITION 84: MULTI-BENEFIT PLANNING AND FEASIBILITY STUDIES

The Governor's budget is proposing \$15.7 million (Proposition 84) in 2008-09 to develop and support the first year of funding for DWR's program activities for integrated multi-benefit planning and feasibility studies related to California's future water needs. This proposal is broken into 6 components:

1. **Climate Change Evaluation and Adaptation. \$21 million total/\$2 million in 2008-09.** Over five years, DWR will conduct detailed evaluations of projected climate change impacts on the state's water supply and flood control systems, and identify potential system redesign alternatives that would improve adaptability and public benefits (this proposal will be discussed in a separate Climate Change hearing).
2. **Promotion of Urban and Agricultural Water Conservation. \$6.4 million total/\$1.8 million 2008-09.** Over five years, DWR will study conservation strategies, develop best management practices for irrigation operations, and provide technical services for agricultural and urban water conservation such as the California Irrigation Management System (CIMIS).
3. **Completion of CALFED Surface Storage Studies. \$12.0 million over two years.**
4. **Integration of Flood Management and Water Supply Systems. \$5.2 million/\$1.3 million in 2008-09.** Over five years, DWR will conduct studies to evaluate fish, wildlife, and habitat components as part of the integration of flood management, water supply reliability, and water quality from a watershed perspective.
5. **Implementation of California Water Plan Recommendations. \$15 million/\$2.6 million in 2008-09.** Over five years, DWR will improve stakeholder collaboration; implement regional planning outreach, coordination an inventory of water data and needs; assess progress in Integrated Regional Water Management planning and implementation; and improve environmental water use methodology for presentation in future California Water Plan update reports. This proposal also includes funding for a new Water Plan Information Exchange that will make water information data among state, federal, local, and public stakeholders.
6. **Develop Delta Vision. \$2 million and Redirection of 2 Existing Positions.** Support ongoing efforts to develop a plan for sustainable management of the Sacramento-San Joaquin Delta.

Staff Comments. Staff feels that these efforts are important to meet the statewide challenges of increasing water conservation, finding solutions for the Delta, and adapting to California's future water plan. With regards to concerns raised by the LAO related surface storage studies, it is noted by staff that both Propositions 50 and 84 allocated funding directly for the purpose completing feasibility studies for CALFED. Staff has concerns that by withholding these funds, the questions of technical feasibility and financial commitment by those who benefit from the projects will not be answered until this stage of the process is concluded.

Additionally, staff recommends that the Subcommittee adopt statutory changes and funding augmentations for programs in the budget change proposal that reflect ongoing discussions the Assembly has been engaged in related to water policy and appropriations. These additional actions will move these issues to conference committee.

STAFF RECOMMENDATION. Staff recommends that the Subcommittee take the following actions:

- 1. Approve the Budget Change Proposal as budgeted.**
- 2. Approve the following supplemental augmentations: \$8 million for Climate Change Water planning, \$9.1 million for the Integration of Flood and Water Systems; \$8 million for Delta Vision implementation. .**
- 3. Approve trailer bill language related to surface storage studies and climate change programs that does the following:**
 1. Requires that surface storage studies be completed by June 30, 2010 and include specific construction and operation details that consider the impacts of climate change.
 2. Requires that surface storage studies include estimated schedule and cost estimates for construction.
 3. Requires the Department of Water Resources (DWR) to include climate change analysis, to the extent applicable, in all its water management reports and plans, including the State Water Project (SWP) delivery capability report California Water Plan, and reports related to the Sacramento-San Joaquin Delta (Delta).
 4. Requires DWR to identify and make available, by July 2009, peer-reviewed information or best available scientific information about climate change and water resources in the state.
 5. Requires DWR, in collaboration with other state agencies, to prepare a report by January 2009 quantifying the energy savings and greenhouse gas (GHG) emission reductions associated with water supply development alternatives, including recycled water.
 6. Requires the State Water Resources Control Board (SWRCB) and all regional water quality control boards to consider reasonably foreseeable effects of climate change in basin water quality plans triennial reviews required by the federal Clean Water Act.
 7. Requires DWR to allocate \$2 million of Climate Change related funding to the SWRCB for related Climate Change activities.
 8. Requires urban water suppliers, starting in July 2009, and agricultural water suppliers, starting in January 2010, to request climate change information from DWR and consider that information in preparing urban or agricultural water management plans, unless climate change information is unavailable or inapplicable.

ISSUE 5: APRIL FINANCE LETTERS: CENTRAL VALLEY FLOOD PROTECTION BOARD

April Finance Letter: In an April Finance Letter, the Department is requesting an augmentation of \$1.0 million for support of the Central Valley Flood Protection Board (Board). It is further requested that 5.0 new positions be established associated with this Proposition 1E funding to handle increased workload associated with Board activities required as a result of numerous state and local flood protection projects funded with Proposition 1E.

Additionally, it is requested that 12.0 positions be established—7.0 positions for Board members and 5.0 positions for staff to support the Board. Of the five staff positions, three will be dedicated to reviewing revised safety elements of local governments' general plans to ensure they adequately address flood hazards, as required by Chapter 369, Statutes of 2007 (AB 162). The remaining 2.0 positions will perform encroachment control, construction inspection, and enforcement duties that can no longer be performed by existing DWR flood project inspectors due to increases in their workload. All 12.0 positions will be funded with \$1.8 million General Fund included in the Governor's budget for the establishment of the Board and the performance of its new activities.

In addition, it is requested that Item 3860-001-0001 be amended to shift \$4.9 million General Fund and 26.0 positions from Program 30-Public Safety and Prevention of Damage to Program 35-Central Valley Flood Protection Board. This shift recognizes that the existing duties of these staff are fully dedicated to supporting the Board, and thus are most properly budgeted in Program 35.

Staff Comments. Staff has no issues with this proposal.

Staff Recommendation: Approve as budgeted.

ISSUE 6: APRIL FINANCE LETTERS: DELTA WATER QUALITY IMPROVEMENT

April Finance Letter. In an April finance letter, the Department is requesting \$50.9 million from Proposition 84 for grants to implement Delta water quality improvement projects that protect drinking water supplies. DWR anticipates funding alternative water intake projects for the Contra Costa Water District and the City of Stockton that are part of the Delta Water Quality Plan and are ready for implementation. In addition, it is requested that 2.0 positions be established to administer the Delta Water Quality Improvement Program.

Staff Comments. Section 75029 of Proposition 84 allocates \$130 million to DWR for grants to implement Delta water quality improvement projects that protect drinking water supplies. This proposal is in accordance with that section.

STAFF RECOMMENDATION: Approve as budgeted.

ISSUE 7: APRIL FINANCE LETTERS: STATE WATER PROJECT FACILITIES: RECREATION AND FISH AND WILDLIFE ENHANCEMENT

April Finance Letter. In an April finance letter, the Department is requesting \$3.9 million (Proposition 84) for the recreation and fish and wildlife component of State Water Project (SWP) capital projects. Capital outlay projects for the SWP are typically financed with revenue bonds issued by DWR and repaid through payments from the SWP contractors. Existing law prohibits DWR from charging the SWP contractors for costs associated with providing recreation or for fish and wildlife enhancement projects. Proposition 84 provides \$54.0 million for costs associated with recreation and fish and wildlife enhancement projects. DWR has determined that \$3,903,000 of capital outlay costs anticipated during fiscal year 2008-09 are for costs that cannot be charged to the SWP contractors; therefore, this appropriation is necessary to ensure the continuation of \$67.9 million in SWP capital outlay projects.

Staff Comments. Staff has concerns that there isn't a clear rationale for calculating the State's annual cost share for these State Water Project funded capital projects. Staff recommends that the Subcommittee adopt trailer bill language guiding the development of such as standard.

STAFF RECOMMENDATION. Approve as budgeted with trailer bill language to develop policy standards for determining the State's share of these projects.

ISSUE 8: APRIL FINANCE LETTERS: SALTON SEA INTERIM RESTORATION AND MANAGEMENT

April Finance Letter. In an April finance letter, the Department is requesting reimbursements be increased by \$7.4 million. Interim restoration and management of the Salton Sea is necessary to minimize impacts to existing habitat and wildlife before a long-term restoration alternative is implemented. DWR will perform this work in cooperation with the Wildlife Conservation Board, Department of Fish and Game, and local entities. (See corresponding Finance Letter for the Department of Fish and Game).

Staff Comments. Staff has no issues with this proposal.

STAFF RECOMMENDATION. Approve as budgeted.

ISSUE 9: APRIL FINANCE LETTERS: FLOODWAY PROTECTION CORRIDOR PROGRAM

April Finance Letter. In an April finance letter, the Department is requesting \$162,000 (Proposition 13) to administer ongoing Flood Protection Corridor grants. The Flood Protection Corridor Program provides for direct expenditure projects and for grants to local agencies and non-profit organizations for flood protection projects, agricultural land conservation, and wildlife habitat preservation and enhancement. This funding is necessary to administer ongoing Flood Protection Corridor Program grants.

Staff Comments. Staff has no issues with this proposal.

STAFF RECOMMENDATION. Approve as budgeted.

ISSUE 10: APRIL FINANCE LETTERS: NATOMAS LEVEE EARLY IMPLEMENTATION PROJECT

April Finance Letter. In an April finance letter, the Department is requesting \$194 million (Proposition 1E) for design and construction of the Natomas Levee Improvement Program Early Implementation Project. DWR further requests the establishment of 3.7 positions for this project. The Sacramento Area Flood Control Agency has identified several levee improvement projects to provide 200-year flood protection in the Natomas basin. This project will address levee improvements for two components of the plan that are ready to proceed: the Sacramento River East Levee and the Pleasant Grove Creek Canal West Levee.

Staff Comments. Staff has no issues with this proposal.

STAFF RECOMMENDATION. Approve as budgeted.

ISSUE 11: APRIL FINANCE LETTERS: WEST SACRAMENTO EARLY IMPLEMENTATION PROJECT

April Finance Letter. In an April finance letter, the Department is requesting \$37.3 million (Proposition 1E) for design and construction of the West Sacramento Early Implementation Project. DWR further requests the establishment of 1.3 positions for this project. The West Sacramento Flood Control Agency has identified several levee improvement projects to achieve 200-year flood protection for the City of West Sacramento. This project will address levee improvements for four components of the flood protection plan that are ready to proceed: three areas of levees along the west bank of the Sacramento River and one area on the south bank of the Sacramento bypass.

Staff Comments. Staff has no issues with this proposal.

STAFF RECOMMENDATION. Approve as budgeted.

ISSUE 12: APRIL FINANCE LETTERS: POSITION AUTHORITY FOR SYSTEM WIDE LEVEE EVALUATIONS AND REPAIRS

April Finance Letter. In an April finance letter, the Department is requesting 33.0 positions be established to implement the Systemwide Levee Evaluations and Repairs project. These positions will be funded within existing proposed resources in Item 3860-302-6052. The Systemwide Levee Evaluation and Repairs project was initiated in 2006 with General Fund provided by Chapter 34, Statutes of 2006 (AB 142), and continued in the current year with Proposition 1E funds. Because of the necessity for urgent action to address the most critical levee deficiencies, DWR has heavily relied on consultants and overtime for staff provided for the project. Since this activity is expected to last several years, DWR has determined it is more cost-effective to increase DWR staffing to implement the project rather than to continue to rely on consultants.

Staff Comments. Staff has no issues with this proposal.

STAFF RECOMMENDATION. Approve as budgeted.

ISSUE 13: APRIL FINANCE LETTERS: FOLSOM DAM MODIFICATION PROJECT

April Finance Letter. In an April finance letter, the Department is requesting \$3.5 million (Proposition 1E) and Reimbursements be increased by \$1,454,000 to continue construction of the Folsom Dam Modification Project.

It is further requested that \$5,960,000 General Fund previously appropriated for the project be reverted. This action is necessary to realize General Fund savings included in reductions pursuant to Section 4.05 of the Budget Act of 2007.

Staff Comments. Staff has no issues with this proposal.

STAFF RECOMMENDATION. Approve as budgeted.

ISSUE 14: APRIL LETTER: AMERICAN RIVER FLOOD CONTROL PROJECT: COMMON ELEMENTS

April Finance Letter. In an April finance letter, the Department is requesting \$6.2 million (Proposition 1E) and \$2.6 million (Reimbursements) to continue the re-evaluation, design, and construction of the American River Flood Control Project: Common Elements Project.

It is further requested that Item 3860-496 be added to revert \$7.6 million General Fund previously appropriated for the project. This action is necessary to realize General Fund savings included in reductions pursuant to Section 4.05 of the Budget Act of 2007.

Staff Comments. Staff has no issues with this proposal.

STAFF RECOMMENDATION. Approve as budgeted.

ISSUE 15: APRIL FINANCE LETTERS: YUBA RIVER BASIN PROJECT

April Finance Letter. In an April finance letter, the Department is requesting \$554,000 (Proposition 1E), and Reimbursements be increased by \$180,000 to complete the General Reevaluation Report and design work for the Yuba River Basin Project. The U.S. Army Corps of Engineers is performing a General Reevaluation of the project because of significant escalation of project costs since the project was authorized.

It is further requested that Item 3860-496 be added to revert \$2.0 million General Fund previously appropriated for the project. This action is necessary to realize General Fund savings included in reductions pursuant to Section 4.05 of the Budget Act of 2007.

Staff Comments. Staff has no issues with this proposal.

STAFF RECOMMENDATION. Approve as budgeted.

ISSUE 16: APRIL FINANCE LETTERS: MARYSVILLE RING LEVEE RECONSTRUCTION PROJECT

April Finance Letter. In an April finance letter, the Department is requesting \$12.4 million (Proposition 1E) and Reimbursements be increased by \$5.2 million for the Marysville Ring Levee Reconstruction Project. This project previously was included within the scope of the Yuba River Basin Project. Although the Yuba River Basin Project is currently being reevaluated through a General Reevaluation Report, the U.S. Army Corps of Engineers has determined that the Marysville Ring Levee Reconstruction Project may proceed as a separate project.

Staff Comments. Staff has no issues with this proposal.

STAFF RECOMMENDATION. Approve as budgeted.

ISSUE 17: APRIL LETTER: TECHNICAL CORRECTION FOR PROPOSITION 84 APPROPRIATION

April Finance Letter. In an April finance letter, the Department is requesting that Item 3860-001-6051 be decreased by \$364,000 and Item 3860-001-0001 be amended to reflect this change. When preparing the Governor's budget, certain baseline adjustments were inadvertently applied to Proposition 84 funds appropriated through the Budget rather than planned expenditures of continuously appropriated Proposition 84 funds. This technical adjustment will correct that error.

Staff Comments. Staff has no issues with this proposal.

STAFF RECOMMENDATION. Approve as budgeted.

ISSUE 18: APRIL FINANCE LETTERS: VARIOUS REAPPROPRIATIONS/EXTENSIONS OF LIQUIDATIONS

April Finance Letter. In an April finance letter, the Department is requesting the reappropriation or extension of liquidation for the following funds:

Reappropriation of Various CALFED Funds

- Item 3860-001-6026, Budget Act of 2003
- Item 3860-001-6026, Budget Act of 2004
- Item 3860-001-6026, Budget Act of 2005
- Item 3860-001-6026, Budget Act of 2006
- Item 3860-001-6026, Budget Act of 2007
- Item 3860-001-6031, Budget Act of 2003
- Item 3860-001-6031, Budget Act of 2006
- Item 3860-001-6031, Budget Act of 2007

A number of CALFED projects funded from Proposition 13 and Proposition 50 will not be completed within the timeframes allowed by their original appropriations. These programs have been delayed for various reasons, such as changes in study plans resulting in delayed contract documents. This request will allow additional time for these projects to be completed.

Reappropriation of Various Funds

- Item 3860-101-0544, Budget Act of 2007
- Item 3860-001-6010, Budget Act of 2007
- Item 3860-101-6031, Budget Act of 2007

These programs have been delayed for various reasons, including late passage of the Budget Act of 2007 and delays in preparation of an Environmental Impact Report/Environmental Impact Statement. This request would provide additional time for these projects to be completed.

Extension of Liquidation for Various Funds

- Item 3860-101-0543, Budget Act of 2001
- Item 3860-101-6005, Budget Act of 2003
- Item 3860-101-6007, Budget Act of 2001
- Item 3860-101-6007, Budget Act of 2003
- Item 3860-101-6010, Budget Act of 2001
- Item 3860-101-6010, Budget Act of 2003
- Item 3860-101-6010, Budget Act of 2005
- Item 3860-101-6014, Budget Act of 2000
- Item 3860-101-6023, Budget Act of 2001
- Item 3860-101-6023, Budget Act of 2003
- Item 3860-101-6023, Budget Act of 2005

A number of projects funded from Proposition 204 and Proposition 13 will not be completed until after their current grant liquidation periods have expired. These projects have been delayed for a variety of reasons, such as delays in obtaining environmental permits. This request will provide additional time to complete the projects.

Extension of Liquidation for Various CALFED Funds

- Item 3860-101-6023, Budget Act of 2001
- Item 3860-101-6023, Budget Act of 2003
- Item 3860-101-6023, Budget Act of 2005
- Item 3860-101-6025, Budget Act of 2001
- Item 3860-001-6026, Budget Act of 2003
- Item 3860-101-6027, Budget Act of 2000
- Item 3860-101-6027, Budget Act of 2001
- Item 3860-101-6031, Budget Act of 2003
- Item 3860-101-6031, Budget Act of 2005

A number of projects funded from Proposition 13 and Proposition 50 will not be completed until after their current grant liquidation periods have expired. These projects have been delayed for a variety of reasons, such as delays in obtaining environmental permits. This request will provide additional time to complete the projects. (See Attachment D)

Reappropriation of Various Capital Outlay Projects

- 1997 Flood Damage Repair Projects. This project was delayed for a variety of reasons, including delays in securing federal funding and problems with property acquisitions related to the project.
- Tisdale Bridge Replacement. This project was delayed because of various issues, including complications arising because the old Tisdale Bridge has historical significance, issues related to determining environmental mitigation requirements for the project, and establishing right-of-way agreements.
- Magpie Creek Small Flood Control Project. This project was delayed because of scope changes to the project requested by the project's local sponsor.
- South Sacramento County Streams. This project was delayed because the U.S. Corps of Engineers is reanalyzing the hydrology and the hydraulic model for the project.
- Marysville/Yuba Levee Reconstruction. This project is physically complete, but reappropriation is needed for final accounting and to complete the property acquisitions related to the project.
- 1997 Flood Damage Repair Project—San Joaquin Valley. This project is physically complete, but reappropriation is to complete the property acquisitions related to the project.
- Eastside Bypass Levee Raising Project. This project is physically complete, but reappropriation is to complete the property acquisitions related to the project.

Staff Comments. Staff has no issues with this proposal.

STAFF RECOMMENDATION. Approve as budgeted.

3940 STATE WATER RESOURCES CONTROL BOARD**ISSUE 1: INFORMATIONAL ISSUE – DRINKING WATER/GROUNDWATER QUALITY**

Groundwater aquifers throughout the state are contaminated with nitrates and other compounds that make water from those sources unsafe for human consumption. Particularly acute in the Central Valley and Central Coast, residents from small low-income rural communities have local water systems that draw water from these polluted aquifers and deliver it to service connections - households, commercial properties, schools, etc. - for their use. To protect residents from this water, it is required by law that rate payers be notified that they should drink water from other sources – usually bottled water purchased by the resident - if water contamination exceeds health standards.

As a leading type of contamination, nitrates in public water is a severe public health problem because it restricts the blood's ability to carry oxygen through the body and has an amplified impact on pregnant women, youth, and the elderly. Once found in an aquifer, it is a very expensive process to treat the water that requires capital infrastructure not found in many small community water systems. Additionally, by passing the burden of purchasing and transporting safe drinking water on the resident, the fundamental right to clean drinking water is placed in economic competition with other staples such as food and transportation.

Role of State Water Resources Control Board. As a general rule, the State Water Resources Control Board (SWRCB) is, through its regional water boards, responsible under the Porter-Cologne Act to maintain the quality of both surface and groundwater in the state through monitoring and regulatory actions.

Staff Comments. Assembly Budget Subcommittee 1 will be considering adoption of Trailer Bill language that requires the Department of Public Health to contract with the State Water Board to do the following in Tulare County and the Salinas Valley:

- Identify categories of dischargers of nitrates into groundwater and estimate the proportion of nitrates each category of discharger is responsible for contributing.
- Determine feasible solutions including remediation of groundwater aquifers and alternatives, such as regional treatment facilities, to ensure that communities impacted by nitrates have safe drinking water.
- Estimate the cost of feasible solutions.
- Develop a financial plan to fund feasible solutions.

Because this action is under the purview of Subcommittee 1, staff does not recommend any action by the Subcommittee. However, if this proposal is adopted in the final budget act, the Water Resources Control Board should be prepared to share with the members of the subcommittee progress on this contract in future budget years.

STAFF RECOMMENDATION: No recommendation.

ISSUE 2: STATE WATER RESOURCES CONTROL BOARD: CLIMATE CHANGE WORKLOAD

In the Governor's budget, the State Water Resources Control Board is requesting 3.8 PYs and \$428,000 (Waste Discharge Permit Fund) to assess and develop adaptation responses for water quality changes expected to occur due to global climate change and strategies to reduce GHG emissions resulting from water use, treatment, and control activities subject to the Water Boards regulatory authority.

The resources will be used to assess the impacts of global warming and climate change on California water, including changes in water quality and availability for water rights allocations, and the vulnerability of regulated facilities and programs. The Water Boards will formulate adaptation strategies and measures to address vulnerabilities.

The resources will also be used to identify and quantify GHG emissions resulting from activities performed in compliance with SWRCB regulations, programs, and policies, and formulate strategies and measures, including revisions to statutory, regulatory, and program policies, to reduce GHG emissions.

Staff Comments. DWR and the Water Board are both proposing increases in resources for similar statewide assessments of climate change impacts on California's water supply and water quality. Under DWR's proposal for funding for climate change planning, the staff recommendation added trailer bill language to provide additional funding for the Water Board for their activities. Staff recommends that the Subcommittee approve this budget change proposal as well with the intent that in subsequent budget years, the Board continues to present to the Subcommittee its strategies for coordinating its activities with DWR.

STAFF RECOMMENDATION: Approve as budgeted.

8570 CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

ISSUE 1: LIGHT BROWN APPLE MOTH AND ASIAN GYPSY MOTH ERADICATION PROGRAMS

Governor's Budget: The Governor's budget is requesting 18 new positions to provide support staffing and logistical support for the Light Brown Apple Moth (LBAM) Eradication Program. These positions would be funded from a \$2.0 million (General Fund) baseline augmentation provided in the 2007-08 for the Department for the LBAM program.

May Revision. In the May Revision, the Department is requesting federal fund expenditure authority for \$6.4 million for LBAM and \$183,000 for Asian Gypsy Moth eradication efforts.

Staff Comments. The Santa Cruz Superior Court Judge Paul Burdick ruled in favor of delaying the efforts to eradicate the Light Brown Apple Moth until a comprehensive environmental impact report is completed. The Governor as well has ordered that aerial spraying be postponed until the testing for toxicity is complete.

Aerial spraying is one component of a multi faceted eradication campaign that will invest significant time to on-the-ground activities such as pheromone placement by hand and the development of a steril LBAM program similar to method used to control med-fly populations. Because of this and since aerial spraying has been postponed by the Courts and the Administration, staff feels that the Subcommittee should move forward and approve the request for eradication program support for both the Light Brown Apple and Asian Gypsy moths.

STAFF RECOMMENDATION: Approve as budgeted.

ISSUE 2: CAPITAL OUTLAY

1. **Fresno/Tulare Laboratory Consolidation (Finance Letter):** In an April Finance Letter, the Governor's budget is requesting in 2008-09, \$2.6 million (Public Buildings Construction Fund) for the working drawings phase of the Fresno/Tulare Laboratory Consolidation and Replacement Project. Additionally, over the length of the project the Administration is requesting \$40.5 million for construction funds and \$1.8 million for equipment costs from the Public Buildings Construction Fund. This total request is needed by the Administration to move forward with lease-revenue bond financing for this project.

Background. The California Animal Health and Food Safety Laboratory System (CAHFS) operates five regional laboratories. One in UC Davis that provides oversight for the entire Laboratory system, three of the five laboratories located in Turlock, Fresno, and Tulare that provide testing services to thousands of animal-producing farms throughout the San Joaquin Valley and the fifth Laboratory located in San Bernardino that provides expertise and surveillance services to Southern California. As approved in prior budgets, this proposal would consolidate the Fresno Tulare Laboratory.

Staff Comments. Staff has no issues with this proposal as it is continuing a project previously approved by the Subcommittee.

2. **San Bernardino CAHFS Lab.** \$2.3 million (Agriculture Building Fund) to acquire 3 acres of leased property in San Bernardino to secure the existing site for the Department CAHFS Laboratory. CDFA currently does not own the land that the existing state owned San Bernardino Lab is located on and this proposal would put that property into state ownership.

Staff Comments. Staff understands that when this lab was constructed, the landowner agreed to lease the state the land for \$10 dollars per year. Recently, the landowner has increased the lease to \$240,000 per year with the option to buy. Considering the cost of the annual lease and the state's investment in the physical structure of the lab, staff recommends that this acquisition be approved.

3. **HVAC System.** \$2.0 million(Ag Building Fund) to replace the HVAC system at the Center for Analytical Chemistry at the Meadowview property in Sacramento due to conditions that threaten property damage and the health and safety of employees.

Staff Comments. Staff does not have any issues with this proposal because it will be funded by the Agricultural fund and because the current HVAC system poses a maintenance and health liability to the state.

STAFF RECOMMENDATION: Approve as budgeted.