

AGENDA

ASSEMBLY BUDGET COMMITTEE NO. 3 RESOURCES AND TRANSPORTATION

ASSEMBLYMEMBER RICHARD BLOOM, CHAIR

WEDNESDAY, APRIL 17, 2013

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

CONSENT CALENDAR		
VOTE-ONLY CALENDAR		
ITEM	DESCRIPTION	
8570	DEPARTMENT OF FOOD AND AGRICULTURE	3
ISSUE 1	CALIFORNIA SPECIAL INTEREST LICENSE PLATE - CALAGPLATE	3
3860	DEPARTMENT OF WATER RESOURCES	3
ISSUE 2	CENTRAL VALLEY FLOOD PROTECTION BOARD – LEGAL COUNSEL	3
ISSUE 3	CENTRAL VALLEY FLOOD PROTECTION BOARD –TECHNICAL IMPLEMENTATION SUPPORT	3
ISSUE 4	LOW INTENSITY CHEMICAL DOSING	3
ISSUE 5	MULTI-BENEFIT PLANNING AND FEASIBILITY STUDIES	4
ISSUE 6	INFORMATION TECHNOLOGY CONSOLIDATION—CERES	4
ISSUE 7	CAPITAL OUTLAY—AMERICAN RIVER WATERSHED, FOLSOM DAM RAISE PROJECT	4
ISSUE 8	CAPITAL OUTLAY—FEATHER RIVER URBAN FLOOD RISK REDUCTION PROJECT	4
ISSUE 9	CAPITAL OUTLAY—FOLSOM DAM MODIFICATIONS PROJECT	4
ISSUE 10	CAPITAL OUTLAY—LOWER CACHE CREEK, YOLO COUNTY, WOODLAND AREA PROJECT	4
ISSUE 11	CAPITAL OUTLAY—LOWER SAN JOAQUIN RIVER	5
ISSUE 12	CAPITAL OUTLAY—MARYSVILLE RING LEVEE RECONSTRUCTION PROJECT	5
ISSUE 13	CAPITAL OUTLAY—SACRAMENTO RIVER FLOOD CONTROL SYSTEM EVALUATION.	5
ISSUE 14	CAPITAL OUTLAY—SUTTER BASIN FEASIBILITY STUDY	5
ISSUE 15	CAPITAL OUTLAY—WEST SACRAMENTO PROJECT	5
ISSUE 16	CAPITAL OUTLAY—WEST STANISLAUS COUNTY, ORESTIMBA CREEK PROJECT	5
ISSUE 17	CAPITAL OUTLAY—YUBA RIVER BASIN PROJECT	6
ISSUE 18	FISH PASSAGE IMPROVEMENT PROGRAM	6
ISSUE 19	SAN JOAQUIN RIVER RESTORATION PROGRAM IMPLEMENTATION	6
ISSUE 20	STATE WATER PROJECT HYDROPOWER RELICENSING AND REGULATORY MANAGEMENT CONSOLIDATION	7
ISSUE 21	PROPOSITION 84 INTEGRATED REGIONAL WATER MANAGEMENT (IRWM)	7
3940	STATE WATER RESOURCES CONTROL BOARD	9
ISSUE 22	WASTEWATER OPERATOR CERTIFICATION FUND AUGMENTATION	9
ISSUE 23	SMALL DISADVANTAGED COMMUNITY WASTEWATER PROJECTS PLANNING,	9

	DESIGN, AND CONSTRUCTION GRANTS	
ISSUE 24	CRITERIA FOR INDIRECT POTABLE REUSE OF RECYCLED WATER	9
ISSUE 25	AUGMENT WATER RIGHTS, PROGRAM 20 FEDERAL AUTHORITY FOR U.S. BUREAU OF RECLAMATION REIMBURSEMENT	9
ISSUE 26	REPLACING, REMOVING, OR UPGRADING UNDERGROUND STORAGE TANKS PROGRAM SUBACCOUNT CONSOLIDATION	9
ISSUE 27	ALIGN UNDERGROUND STORAGE TANK CLEANUP FUND AUTHORITY	10
ISSUE 28	UNDERGROUND STORAGE TANK CLEANUP FUND ORPHAN SITE CLEANUP FUND REAPPROPRIATION	10
ISSUE 29	TECHNICAL BOND ADJUSTMENT	10
3960	DEPARTMENT OF TOXIC SUBSTANCES CONTROL	10
ISSUE 30	REGISTERED ENVIRONMENTAL ASSESSOR PROGRAM ELIMINATION	10
3970	DEPARTMENT OF RESOURCES RECYCLING AND RECOVERY	11
ISSUE 31	TRANSFERS THE OFFICE OF EDUCATION AND THE ENVIRONMENT TO CALRECYCLE	11
ISSUE 32	GOVERNOR'S REORGANIZATION PLAN NO. 2 OF 2011 TO MOVE CALRECYCLE UNDER THE CAL/EPA	11
ISSUE 33	CLEANUP TRAILER BILL LANGUAGE FOR CARPET AND PAINT STEWARDSHIP PROGRAM	11
ISSUE 34	CAPTIVE INSURANCE: SOLID WASTE FACILITIES	11
3980	OFFICE OF ENVIRONMENTAL HEALTH HAZARD ASSESSMENT	12
ISSUE 35	TOXICOLOGIC EVALUATION AND OUTREACH TO SUPPORT COMBAT OF INVASIVE PEST SPECIES	12
ISSUE 36	RENEWABLE ENERGY RESOURCES: RISK ASSESSMENT OF BIOMETHANE	12
ISSUE 37	IMPLEMENTATION OF DISADVANTAGED COMMUNITIES	12

ITEMS TO BE HEARD

ITEM	DESCRIPTION	
8660	CALIFORNIA PUBLIC UTILITIES COMMISSION	13
ISSUE 1	SAFETY CULTURE CHANGES	13
3930	DEPARTMENT OF PESTICIDE REGULATION	16
ISSUE 1	MITIGATING PESTICIDE USE TO PROTECT THE ENVIRONMENT	16
8570 3940	DEPARTMENT OF FOOD AND AGRICULTURE STATE WATER RESOURCES CONTROL BOARD	18
ISSUE 1	NITRATES IN DRINKING WATER	18
3860	DEPARTMENT OF WATER RESOURCES	20
ISSUE 1	FLOOD SAFE CALIFORNIA PROGRAM	21
3860 3600	DEPARTMENT OF WATER RESOURCES DEPARTMENT OF FISH AND WILDLIFE	23
ISSUE 1	SALTON SEA RESTORATION	23
3970	DEPARTMENT OF RESOURCES RECYCLING AND RECOVERY	25
ISSUE 1	BEVERAGE CONTAINER RECYCLING PROGRAM REFORM TO IMPROVE INTEGRITY	26

CONSENT CALENDAR

April 1 Finance Letter Issues		
Org Code	Department	Summary
3930	Department of Pesticide Regulation	Increases the reimbursement authority by \$285,000 for an interagency agreement between the Department of Consumer Affairs, Structural Pest Control Board, and the Department of Pesticide Regulation to carry out training and investigation activities related to enforcement of structural pest control laws and regulations at the local level.
3970	Department of Resources Recycling and Recovery	Increases by \$81,250 one-time authority to Household Hazardous Waste Grant Program. This additional funding comes from a settlement with Costco Wholesale Corporation for the mishandling of household hazardous waste.

VOTE-ONLY**8570 DEPARTMENT OF FOOD AND AGRICULTURE**

VOTE-ONLY ISSUE 1: CALIFORNIA SPECIAL INTEREST LICENSE PLATE - CALAGPLATE

The Governor's Budget requests \$477,000 (Specialized License Plate Fund) to award grants to agricultural education organizations with funds already received from the sales and renewals of the legislatively and Department of Motor Vehicles authorized specialized agriculture license plate.

STAFF COMMENTS

Staff has no concerns with this proposal.

Staff Recommendation: Approve as Budgeted.

3860 DEPARTMENT OF WATER RESOURCES

VOTE-ONLY ISSUE 2: CENTRAL VALLEY FLOOD PROTECTION BOARD – LEGAL COUNSEL

The Governor's Budget requests shifting legal counsel from Department of Justice to the DWR resulting in a savings of \$25,000 annually (General Fund).

VOTE-ONLY ISSUE 3: CENTRAL VALLEY FLOOD PROTECTION BOARD –TECHNICAL IMPLEMENTATION SUPPORT

The Governor's Budget requests for \$650,000 (Proposition 1E bond funds) ongoing to implement the recently adopted Central Valley Flood Protection Plan.

VOTE-ONLY ISSUE 4: LOW INTENSITY CHEMICAL DOSING (LICD)

The Governor's Budget request for \$650,000 (Proposition 13 bond funds: \$550,000 in FY 2013/14 and \$100,000 in FY 2014/15) over two years to complete a project designed to improve water quality related to agricultural drainage. The primary purpose of the LICD project is to assess the effectiveness of low intensity chemical dosing of agricultural drainage water to remove dissolved organic carbon.

VOTE-ONLY ISSUE 5: MULTI-BENEFIT PLANNING AND FEASIBILITY STUDIES

The Governor's Budget requests \$9.6 million (Proposition 84 bond funds: \$4,018,000 in FY 2013-14, \$3,354,000 in FY 2014-15 and \$2,270,000 in FY 2015-16) over three years to support 13.3 existing positions to develop and support program activities for integrated multi-benefit planning and feasibility studies related to California's future water needs.

VOTE-ONLY ISSUE 6: INFORMATION TECHNOLOGY CONSOLIDATION—CERES

The Governor's Budget request transfers the California Environmental Resources Evaluation System (CERES) from Agency to DWR to support consolidation of IT. There is no cost associated with this proposal.

VOTE-ONLY ISSUE 7: CAPITAL OUTLAY—AMERICAN RIVER WATERSHED, FOLSOM DAM RAISE PROJECT

The Governor's Budget requests \$3.35 million (\$2,345,000 Proposition 1E bond funds and \$1,005,000 Reimbursement Authority) to continue the re-evaluation, design, and construction phases of the project. This request secures \$6,221,000 in federal funds and \$1,005,000 in local funds.

VOTE-ONLY ISSUE 8: CAPITAL OUTLAY—FEATHER RIVER URBAN FLOOD RISK REDUCTION PROJECT

The Governor's Budget requests \$77 million (Proposition 1E bond funds) for the three-year construction phase of the Sutter Butte Flood Control Agency's Feather River West Levee Project. The project will provide 200-year flood protection.

VOTE-ONLY ISSUE 9: CAPITAL OUTLAY—FOLSOM DAM MODIFICATIONS PROJECT

The Governor's Budget requests for \$40.9 million (\$28.8 million, Proposition 1E bond funds and \$12.2 million, reimbursement authority) to continue construction to increase the level of protection from flooding to Sacramento. This secures \$75 million in federal funds and \$12 million in local funding matches.

VOTE-ONLY ISSUE 10: CAPITAL OUTLAY—LOWER CACHE CREEK, YOLO COUNTY, WOODLAND AREA PROJECT

The Governor's Budget request \$374,000 (Proposition 1E bond funds) and \$103,000 (reimbursement authority) for the non-federal share of participation with local and federal agencies to evaluate feasible flood protection alternatives for 200-year flood protection. This request will secure \$206,000 in federal funds and \$103,000 in local funds.

VOTE-ONLY ISSUE 11: CAPITAL OUTLAY—LOWER SAN JOAQUIN RIVER

The Governor's Budget requests \$572,000 (Proposition 1E bond funds) to evaluate feasible flood protection alternatives to provide at least 200-year flood protection for Stockton, Lathrop, and Manteca areas.

VOTE-ONLY ISSUE 12: CAPITAL OUTLAY—MARYSVILLE RING LEVEE RECONSTRUCTION PROJECT

The Governor's Budget requests \$8.7 million (Proposition 1E bond funds) and \$3.7 million (reimbursement authority) to fund the non-federal share with the U.S. Army Corps of Engineers in the Yuba River Basin. This includes design and construction phases of the project. This request will secure \$23,071,000 in federal funds and \$3,727,000 in local funds.

VOTE-ONLY ISSUE 13: CAPITAL OUTLAY—SACRAMENTO RIVER FLOOD CONTROL SYSTEM EVALUATION

The Governor's Budget requests \$333,000 (Proposition 1E bond funds) to fund state support costs of the non-federal share of the project. Other local cost-share will be in the form of in-kind work. This proposal will assess protection by non-urban levees and prioritize deficiencies. This request will secure \$1,000,000 in federal funds.

VOTE-ONLY ISSUE 14: CAPITAL OUTLAY—SUTTER BASIN FEASIBILITY STUDY

The Governor's Budget request \$790,000 (Proposition 1E bond funds) and \$494,000 (reimbursement authority) to evaluate the feasible flood protection alternatives that provide 200-year flood protection in the urban area within the Yuba City Basin. This request will secure \$988,000 in federal funds and \$494,000 in local funds.

VOTE-ONLY ISSUE 15: CAPITAL OUTLAY—WEST SACRAMENTO PROJECT

The Governor's Budget requests \$727,000 (Proposition 1E bond funds) and \$500,000 (reimbursement authority) for re-evaluation of alternatives to provide consistent flood protection to the City of West Sacramento. This will secure \$1 million in federal funds and \$500,000 local funds.

VOTE-ONLY ISSUE 16: CAPITAL OUTLAY—WEST STANISLAUS COUNTY, ORESTIMBA CREEK PROJECT

The Governor's Budget requests \$204,000 (Proposition 84 bond funds) to fund completion of the feasibility phase of the project to protect the town of Newman, state transportation facilities, local infrastructure and nearby farmland from recurring flooding.

VOTE-ONLY ISSUE 17: CAPITAL OUTLAY—YUBA RIVER BASIN PROJECT

The Governor's Budget requests \$323,000 (Proposition 1E bond funds) and \$322,000 (reimbursement authority) for the non-federal share of funding to evaluate flood protection for Marysville, Linda, Olivehurst, and Arboga and the surrounding vicinity. This request will secure \$1,107,000 in federal funds and \$322,000 in local funds.

VOTE-ONLY ISSUE 18: FISH PASSAGE IMPROVEMENT PROGRAM

The Governor's Budget requests reversions and a new appropriation of the unused balances of funds in Proposition 50. The proposal includes \$349,000 to support 1.9 existing positions to continue management, administration, and implementation of the Fish Passage Improvement Program (FPIP). The FPIP is an element of the CALFED Ecosystem Restoration program.

VOTE-ONLY ISSUE 19: SAN JOAQUIN RIVER RESTORATION PROGRAM IMPLEMENTATION

The Governor's Budget requests a program increase of \$8,800,000 (Proposition 84, FY 2013-14 and \$2,000,000 in FY 2014-15) in state reimbursable authority for continued work on the San Joaquin River Restoration Program (SJRRP). This funding will support 12 existing positions and will be used to continue the Department's support of the SJRRP to implement a Settlement Agreement to restore a 150-mile reach of the San Joaquin River from Friant Dam to the Merced River. The workload change is necessary ensure that actions of the SJRRP are balanced with competing needs along the river including flood control and irrigation water deliveries.

Proposition 84, passed by the voters in November 2006, includes \$100 million allocated for the restoration of the San Joaquin River, for the purpose of implementing the court settlement to restore flows and the salmon population to the river. If this proposal is approved, California will have committed \$57.9 million towards San Joaquin River restoration efforts. Examples of beneficial restoration projects funded with state dollars include flood management planning, levee improvements, and the historic reintroduction of salmon populations to the river. It is reasonable to conclude that further state investment of existing bond dollars in river restoration and flood management projects will continue to have significant positive impacts on the river. Continued state involvement by way of this proposal and subsequent bond fund appropriations may also help leverage additional Federal appropriations that will contribute towards the implementation of the settlement agreement.

STAFF COMMENTS

Staff has no concerns with these proposals.

Staff Recommendation: Approve as Budgeted Issues 2-19

VOTE-ONLY ISSUE 20: STATE WATER PROJECT HYDROPOWER RELICENSING AND REGULATORY MANAGEMENT CONSOLIDATION

The Governor's Budget proposes a baseline increase of \$602,000 (State Water Project [SWP] funds) and three new permanent positions to support hydropower licensing activities and regulatory compliance responsibilities. These positions would join the Hydropower Licensing Planning and Compliance Office and the SWP Power and Risk office. Both of these offices collectively represent the state in negotiation over hydropower relicensing with federal and state agencies.

Staff Recommendation: Approve as Budgeted. Conform with Senate action to require the department to submit any relicensing proposal to the Legislature for 30-day review prior to final approval in cases where future general taxpayer dollars may be required for appropriation.

VOTE-ONLY ISSUE 21: PROPOSITION 84 INTEGRATED REGIONAL WATER MANAGEMENT (IRWM)

The Governor's Budget requests various reversions and \$480 million from Proposition 84 and 50 for the Integrated Regional Water Management Program as follows:

- \$472.5 million in Local Assistance funds for grants to support construction of projects and implementation of programs that improve water supply reliability and regional self-sufficiency, protect and improve water quality, and protect or restore the environment;
- \$6 million in Program Delivery funds to support traditional administration activities, such as developing specific guidelines, soliciting proposals, reviewing technical details of IRWM plans and proposals, and managing award contracts.
- \$1.5 million to fund existing positions to evaluate project performance and continue oversight of the outstanding awards.

BACKGROUND

The IRWM program is an effort to encourage disparate water interests to share ideas on ways to improve all aspects of water management and develop projects that provide multiple benefits. Under the IRWM program, DWR competitively awards both planning grants to help organizations develop IRWM plans and implementation grants to construct specific projects. For example, through this program, DWR funded a project in the Bay Area intended to improve water quality and reduce flooding by improving storm water management.

The Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002 (Proposition 50) established the IRWM program and allocated \$250 million to DWR and \$250 million to SWRCB. Proposition 84, approved by voters in 2006, allocated an additional \$1 billion to DWR to support additional IRWM grants. The DWR has awarded all of the Proposition 50 funds allocated for planning and implementation grants and is currently soliciting applications for the second round of Proposition 84 implementation grants. The department expects to award \$131 million in Proposition 84 funds for the second round of grants in late 2013. Afterwards, DWR intends to begin the process for making a third round of grants. These particular grant awards are anticipated to be made in 2014–15.

LAO RECOMMENDATION

LAO recommends that the Legislature deny the Governor's proposal to provide \$472.5 million in Proposition 84 funds for additional implementation grants. The requested funding is unnecessary in 2013–14 because DWR does not plan to award any of these implementation grants until 2014–15. However, the LAO recognizes the need to develop guidelines and review applications in the budget year. Therefore, the LAO recommends approving the \$7.5 million requested to support the positions that will manage the program.

Staff Recommendation: Conform with the Senate Action and APPROVE the LAO Recommendation (Deny \$472.5 million but approve \$7.5 million for support positions to manage the program.)

3940 STATE WATER RESOURCE CONTROL BOARD**VOTE-ONLY ISSUE 22: WASTEWATER OPERATOR CERTIFICATION FUND AUGMENTATION**

The Governor's Budget requests \$586,000 (Wastewater Operator Certification Fund) and two permanent positions to implement the provisional wastewater treatment plant operator certification program, support new workload related to certifying operations of privately owned treatment plants, and maintain the current workload.

VOTE-ONLY ISSUE 23: SMALL DISADVANTAGED COMMUNITY WASTEWATER PROJECTS PLANNING, DESIGN, AND CONSTRUCTION GRANTS

The Governor's Budget requests an augmentation of \$7 Million in local assistance authority and the adoption of Budget Bill Language for encumbrance until June 30, 2015, for Small Disadvantaged Community (SDACs) wastewater projects. Resources would be provided by the State Water Pollution Control Revolving Fund Small Community Grant Fund. These grants will help SDACs achieve compliance with water quality regulations, protect surface and groundwater quality, and help eliminate threats to public health and safety.

VOTE-ONLY ISSUE 24: CRITERIA FOR INDIRECT POTABLE REUSE OF RECYCLED WATER

The Governor's Budget requests \$700,000 (Waste Discharge Permit Fund) to continued efforts by the Department of Public Health to develop and adopt water recycling criteria for indirect potable reuse.

VOTE-ONLY ISSUE 25: AUGMENT WATER RIGHTS, PROGRAM 20 FEDERAL AUTHORITY FOR U.S. BUREAU OF RECLAMATION REIMBURSEMENT

The Governor's Budget requests a permanent increase of \$75,000 in federal reimbursement authority to accept and expend federal funds in order to fully recover the Water Rights Program staff costs for Reclamation activities.

VOTE-ONLY ISSUE 26: REPLACING, REMOVING, OR UPGRADING UNDERGROUND STORAGE TANKS PROGRAM SUBACCOUNT CONSOLIDATION

The Water Board requests the adoption of trailer bill language to consolidate subaccounts, move funds around, and reduce local assistance authority by \$3.5 million in the Petroleum Underground Storage Tank Financing Account to reflect the elimination of the Installed Underground Storage Tank program. It is estimated that this consolidation will result in an additional \$1.09 million available for loans and \$540,000 for grants. This proposal will ensure that the State Water Board can continue to help eligible small businesses defray the cost of meeting specified Underground Storage Tank requirements.

VOTE-ONLY ISSUE 27: ALIGN UNDERGROUND STORAGE TANK CLEANUP FUND AUTHORITY

The Governor's Budget requests a reduction of \$48 million in State Operations authority from the Underground Storage Tank Cleanup Fund to align expenditures with estimated revenues.

VOTE-ONLY ISSUE 28: UNDERGROUND STORAGE TANK CLEANUP FUND ORPHAN SITE CLEANUP FUND REAPPROPRIATION

The Governor's Budget requests Budget Bill Language to reappropriate \$6.2 million (Underground Storage Tank Petroleum Contamination Orphan Site Cleanup Fund) unspent local assistance funds from two prior budget acts to support cleanup of sites contaminated by leaking underground storage tanks.

VOTE-ONLY ISSUE 29: TECHNICAL BOND ADJUSTMENT

The Governor's Budget requests a one-time reversion of the specified amounts for various fiscal years of State Operations funds for Propositions 13, 50, and 84. This proposal also requests the appropriation of funds for Propositions 13, 40, 50, and 84 to ensure the purpose of the bonds are met with the funding of new projects. These funds would be available for encumbrance until June 30, 2015.

Staff Recommendation: Approve as Budgeted Issues 22-29

3960 DEPARTMENT OF TOXIC SUBSTANCES CONTROL

VOTE-ONLY ISSUE 30: REGISTERED ENVIRONMENTAL ASSESSOR PROGRAM ELIMINATION

The Governor's Budget requests the elimination of 1.5 positions and \$233,000 (Environmental Quality Assessment Fund) in associated funding for the Registered Environmental Assessor (REA) program consistent with recently approved trailer bill language, SB 1018 (Chapter 39, Statutes of 2012). This proposal is consistent with the Governor's proposal to make government more efficient by eliminating underutilized programs. SB 1018 eliminated the requirements of the REA program.

Staff Recommendation: Approve as Budgeted.

3970 DEPARTMENT OF RESOURCES RECYCLING AND RECOVERY

VOTE-ONLY ISSUE 31: TRANSFERS THE OFFICE OF EDUCATION AND THE ENVIRONMENT TO CALRECYCLE

The Governor's Budget requests an increase in expenditure authority of \$2,325,000 and an increase of 10 permanent positions to implement the transfer of the Office of Education and the Environment, from California Environmental Protection Agency (Cal/EPA) to CalRecycle pursuant to SB 1018, (Chapter 39, Statutes of 2012). The proposal will not add any new positions to the overall budget, but will shift 10 existing positions and the associated funding from Cal/EPA to CalRecycle as a new program.

VOTE-ONLY ISSUE 32: GOVERNOR'S REORGANIZATION PLAN NO. 2 OF 2011 TO MOVE CALRECYCLE UNDER THE CAL/EPA

In accordance with the Governor's Reorganization Plan Number 2 of 2011, this proposal moves CalRecycle from Resources Agency to Cal/EPA. This proposal will not add any new positions or funding to the CalRecycle budget.

VOTE-ONLY ISSUE 33: CLEANUP TRAILER BILL LANGUAGE FOR CARPET AND PAINT STEWARDSHIP PROGRAM

The Governor's Budget requests trailer bill language for both the Architectural Paint Recovery Program and Carpet Stewardship Program in order to change the payment of the administrative fees supporting these programs from yearly to quarterly in arrears. This request will ensure that revenues are received timely and in the same fiscal year that costs are incurred.

VOTE-ONLY ISSUE 34: CAPTIVE INSURANCE: SOLID WASTE FACILITIES

The Governor's Budget requests \$260,000 in reimbursement authority to contract for a study and provide a report to the Legislature assessing the ability of captive insurance to serve as an effective financial assurance mechanism for solid waste landfills, per AB 480 (Solorio), Chapter 713, Statutes of 2012.

Staff Recommendation: Approve as Budgeted Issues 31-34

3980 OFFICE OF ENVIRONMENTAL HEALTH HAZARD ASSESSMENT

VOTE-ONLY ISSUE 35: TOXICOLOGIC EVALUATION AND OUTREACH TO SUPPORT COMBAT OF INVASIVE PEST SPECIES

The Governor's Budget requests 1.0 position, to be funded by reimbursement from the California Department of Food and Agriculture (CDFA), to provide scientific guidance on chemicals CDFA is using to protect the state's agriculture and environment from invasive species.

VOTE-ONLY ISSUE 36: RENEWABLE ENERGY RESOURCES: RISK ASSESSMENT OF BIOMETHANE

The Governor's Budget requests \$139,000 (Public Utilities Commission Utilities Reimbursement Account) and 1.0 position to implement AB 1900 (Gatto), Chapter 602, Statutes of 2012. This proposal would allow the Office of Environmental Health Hazard Assessment (OEHHA) to update the list of chemicals of concern in biogas and develop new health protective levels as required by the statute.

VOTE-ONLY ISSUE 37: IMPLEMENTATION OF DISADVANTAGED COMMUNITIES

The (OEHHA) requests \$577,000 (Greenhouse Gas Reduction Fund) and 3.0 positions to implement Chapter 830, Statutes of 2012 (SB 535). SB 535 requires the Office of the Secretary for Environmental Protection (Cal/EPA) to identify disadvantaged communities in California that will benefit from investments made by the state from Cap and Trade allowance proceeds deposited in the Greenhouse Gas Reduction Fund.

Staff Recommendation: Approve as Budgeted Issues 35-37

ITEMS TO BE HEARD

8660 CALIFORNIA PUBLIC UTILITIES COMMISSION

ISSUE 1: UPDATE ON SAFETY CULTURE CHANGES

Last year, the California Public Utilities Commission (CPUC) came to the Legislature with its "Global Safety" budget change proposal, claiming the San Bruno explosion was a "game changer" with regard to how the Commission viewed its safety responsibility. The Legislature approved 22 positions to strengthen safety oversight and enforcement over gas, electric, communications and rail public utilities.

BACKGROUND

On September 9, 2010, a natural gas transmission pipeline owned and operated by Pacific Gas and Electric (PG&E) ruptured in a residential area in the city of San Bruno, California. The accident killed eight people, injured many more, and caused significant property damage. The released natural gas ignited sometime after the rupture and the resulting fire destroyed 37 homes and damaged 18 others.

Prior to the San Bruno explosion, the CPUC's safety staffing levels reflected its expectation that utilities inherently recognize public safety as their top priority. Thus, the CPUC focused on fulfilling its own state and federal mandates, primarily through audits, inspections, and after-the-fact investigations, conducted within industry-specific programs in a reactive mode. The CPUC states, San Bruno "was a game-changer in terms of how the Commission intends to conduct critical safety oversight going forward. Recommendations from gas safety experts, the Independent Review Panel (IRP or Panel) and the National Transportation Safety Board (NTSB), as well as our own lessons learned, apply across all industries under our jurisdiction."

California's energy and transportation systems are antiquated, overloaded, prone to accidents, and need closer scrutiny. The majority of the electrical system was installed in the 1950s and 1960s, which means such facilities are nearing the end of their useful lives. Generators, poles, wires, pipelines, and tracks constructed in lightly populated areas in the 1950s, are now surrounded by homes, parks and schools. For example, PG&E installed the San Bruno gas transmission line in 1956, well before housing development in the area.

STAFF COMMENTS

Last year, the CPUC admitted that policy objectives took priority over safety prior to the San Bruno explosion. CPUC's reactive safety strategy, premised on the assumption that utilities recognized public safety as their top priority, was inherently misguided. Both the NTSB recommendations and the IRP report validated the need for a comprehensive relook at natural gas pipeline safety and additional activities and

resources at both the State and Federal level to ensure safe operation and support comprehensive safety program reform.

In the Fall of 2012, the CPUC engaged an independent consulting firm, for an undisclosed amount, to facilitate its "Safety Culture Change" project. This project began with an initial discovery phase, which consisted of a document review, interviews and focus groups. The purpose of this phase was to uncover the existing culture, culture changes needed and to develop a draft problem statement that would allow the CPUC to plan its culture change strategy.

A report of this discovery phase was released to the CPUC on January 25, 2013. It identifies significant cultural problems at the CPUC and a fundamental failure of leadership. The report strongly suggests that safety concerns continue to be a secondary priority at the Commission and this message is transmitted from leadership to staff and the utilities it regulates. Through months of focus groups and interviews with employees, the report identifies a few of the prevailing perceptions of the employees at the Commission:

- "For the past ten years we have been mostly focused on climate changes policies. Everything else takes a back seat. We have not been focused on creating the safety infrastructure."
- There has been a lot of lip service to safety. I have not seen enough action yet to back up the talk."
- "When Commissioners vote, they don't support safety, so there's no incentive for the utilities to be safer. If they knew they were 100 percent liable for safety problems, they'd take it more seriously. If the commission lets them put the burden on ratepayers, rather than shareholders, there is no incentive for the utilities to change."

The core mission of the CPUC is to ensure "safe, reliable utility service and infrastructure at reasonable rates." In the past several years, the CPUC has focused on other activities, including the Electric Program Investment Charge (EPIC), the Climate Change Institute, grants of ratepayer funds to Lawrence Livermore Laboratory, and implementing the 33 percent Renewables Portfolio Standard (RPS) several years prior to Legislative direction. Results of the San Bruno Explosion investigation revealed that the CPUC was unaware of PG&E's underspending on gas safety measures. In so directing resources to unauthorized activities, the CPUC has neglected its statutorily and constitutionally mandated core functions to ensure compliance with safety requirements.

The first phase of the evaluation of the CPUC's culture indicates that this is an ongoing crisis. It's important to point out that this evaluation looks at the perception that the employees of the CPUC have of its leadership and the Commissioners. While contrary evidence may be provided to argue against some of these findings, what's critical to note is that when it comes to the culture of an organization, perception is truth. If employees of the CPUC believe that safety is not at the heart of every decision that is made by the Commission, they act accordingly.

While the Commission is to be applauded for bringing in a third party to help uncover and expose its safety culture issues, these findings are not only troubling but may surpass a consultant's ability to solve.

3930 DEPARTMENT OF PESTICIDE REGULATION

The California Department of Pesticide Regulation (CDPR) administers programs to protect public health and the environment from unsafe exposures to pesticides. The department: (1) evaluates the public health and environmental impact of pesticide use; (2) regulates, monitors, and controls the sale and use of pesticides in the state; and (3) develops and promotes the use of reduced-risk practices for pest management. The department is funded primarily by an assessment on the sale of pesticides in the state.

The Department ensures compliance with pesticide laws and regulations through its oversight of County Agricultural Commissioners, who enforce pesticide laws at the local level. The Governor's Budget proposes \$80.9 million and 384 positions for support of the Department.

ISSUE 1: MITIGATING PESTICIDE USE TO PROTECT THE ENVIRONMENT

The Governor's Budget requests \$788,000 (\$783,000 ongoing) from the CDPR Fund and five permanent positions to address workload issues associated with its continuous evaluation of registered pesticides. CDPR's assessment of new and evolving scientific data indicates that certain registered pesticides may cause adverse effects to wildlife and the environment. Issues of high concern are pollinators (bees) impacted by neonicotinoid pesticides, wildlife impacted by rodenticides, and pesticides that impact surface water quality.

BACKGROUND

California law requires CDPR to continuously evaluate registered pesticides after they are in use. This process includes investigating the extent of the potential risk to human health and the environment, and prescribing mitigation measures when necessary. Recently, CDPR reported an increased workload for evaluating the effects of pesticides on pollinators and surface water quality, as well as the effects of rodenticides on wildlife.

LAO RECOMMENDATION

The department has demonstrated an increase in workload for four of the five requested environmental scientists—the two positions for the registration branch and the two positions for surface water protection monitoring. Thus, we recommend approval of these four positions and the related funding of \$683,000. However, CDPR has not been able to demonstrate an increase in workload to adequately justify the need for an environmental scientist to help enforce the state's pesticide regulations. Therefore, we recommend that the Legislature reject this position and the related funding of about \$105,000.

STAFF COMMENTS/QUESTIONS**Questions for Discussion**

The Governor's Budget Proposal requests five additional positions to review pesticides, evaluate and analyze fish and wildlife data, and develop, implement, and evaluate pesticide application adverse impact mitigation efforts, including one position for enforcement. Please describe the context for the enforcement position and how much of an impact the position is expected to have compared to the need for it.

Please explain the complete chain of pesticide regulation at CDPR: registration, education, tracking, reporting, investigation and enforcement.

What role does the County Agricultural Commissioner play in the tracking and reporting of pesticide purchases and application in the State? Please discuss the online tracking system that the Department has developed for this purpose.

With regard to fumigant pesticides, does CDPR have a comprehensive plan that includes timelines and benchmarks to reduce their use?

Local governments have the authority take action on many different issues, such as banning plastic bags or preventing the use of genetically engineered crops across the county. Why aren't local governments, including cities and counties, allowed to create additional rules that are stronger than state laws to protect their residents from hazardous pesticides and fees to implement them to take pressure off State funds?

In 2006 and 2010, the Department's enforcement regulations were strengthened to proscribe mandatory fines for more violations. Enforcement statistics suggest that many counties may not be issuing fines for many violations that mandate fines. What evidence does CDPR have that County Agricultural Commissioners are enforcing these regulations? What is needed to improve prevention and enforcement of infractions at the local level?

The Committee may wish to direct staff to draft place-holder trailer bill language to increase community protections from pesticide contamination and oversight of pesticide application.

Staff Recommendation: Approve the proposed budget, plus an additional 5 positions to increase the enforcement of the state's pesticide regulations and the speed of pesticide product re-referral reviews and approvals. Adopt place-holder trailer bill language to increase community protections from pesticide contamination and oversight of pesticide application.

8570 DEPARTMENT OF FOOD AND AGRICULTURE
3940 STATE WATER RESOURCES CONTROL BOARD

The California Department of Food and Agriculture (CDFA) protects and promotes California's agricultural industry and ensures that only safe and quality food reaches the consumer and regulates the safe and effective use of fertilizing materials. The Budget proposes approximately \$62 million General Fund for a number of programs, such as agricultural plant and animal health, pest prevention, and food safety services.

The State Water Resources Control Board and the nine Regional Boards preserve and enhance the quality of California's water resources and ensure proper allocation and effective use. The Governor's Budget proposes \$675 million (\$15 million General Fund) and 1,505 positions for support of the Board.

ISSUE 1: OVERVIEW OF NITRATES IN DRINKING WATER

The Department of Food and Agriculture (CDFA) and the State Water Resources Control Board (Water Board) will discuss the problem of nitrates in drinking water and steps being taken by the Administration to improve the drinking water of communities that have contaminated sources. Below is a brief summary of the causes of this contamination and recommendations for future action.

BACKGROUND

Nitrate pollution in groundwater is a widespread water quality problem that can pose serious health risks to pregnant women and infants if consumed at concentrations above the Maximum Contaminant Level (MCL) set by the California Department of Public Health. The State Water Resources Control Board (Water Board) reports that current regulatory programs have not effectively controlled groundwater nitrate contamination and water quality in these areas has largely worsened for decades, a trend which seems likely to continue.

Nitrate contaminated groundwater is a particularly significant problem in the Tulare Lake Basin and Salinas Valley areas, where about 2.6 million people, including many of the poorest communities in California, rely on groundwater for their drinking water. Many other areas of the State, however, also have nitrate-contaminated groundwater making it the most frequently detected anthropogenic chemical above an MCL in drinking water sources.

A 2012 University of California Davis Nitrate Report revealed that agricultural fertilizers and animal wastes applied to cropland are by far the largest regional sources of nitrate in groundwater and the most promising revenue source is a fee on nitrogen fertilizer use in these basins. Based on these findings, the Water Board has made a series of recommendations to the Legislature to address the issues associated with nitrate contaminated groundwater, including: creating a reliable, stable funding source to provide long-term safe drinking water infrastructure and interim solutions for the small

disadvantaged communities impacted by nitrate contamination; developing, and managing the data necessary to identify and effectively manage nitrate contaminated groundwater; and developing an effective system for minimizing discharges of nitrates to groundwater.

STAFF COMMENTS/QUESTIONS

Questions for Discussion

- What are your agencies near term strategies that you will be implementing for addressing the nitrate contamination of drinking water supplies?
- What are the most immediate actions the Legislature should be taking to assist communities with contaminated drinking water?
- What more should the State be doing to provide technical assistance to the agricultural industry to prevent drinking water contamination? How should this be funded?
- What more could the State be doing to establish responsibility and liability for groundwater contamination?
- Are current water discharge permits or waivers providing adequate drinking water protections? If not then how could the State, improve the permit or waiver's implementation to recover greater benefits?

The Committee may wish to direct staff to draft place-holder trailer bill language to address issues associated with nitrate-contaminated groundwater.

Staff Recommendation: Adopt place-holder trailer bill language to address issues associated with nitrate-contaminated groundwater. Additionally, authorize 7 positions to the Water Board to increase the oversight and enforcement of the State's laws and regulations dealing with agricultural wastewater discharges. Additionally, authorize 7 positions to the Department of Food and Agriculture to increase the management, research, oversight, regulation and enforcement of the State's laws and regulations related to fertilizer.

3860 DEPARTMENT OF WATER RESOURCES

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

The Budget includes \$3.5 billion (97.4 million General Fund) and 3,495 positions for support of the Department.

Fund Source	2011-12 Actual	2012-13 Projected	2013-14 Proposed	BY to CY Change	% Change
General Fund	\$89,614	\$97,557	\$97,426	(\$131)	0%
Department of Water Resources Electric Power Fund	5,177,536	1,007,377	973,917	(33,460)	(3%)
Bond Funds	512,813	1,421,161	927,812	(493,349)	(35%)
Other	872807	1043770	1088718	44,948	4%
Total Expenditure	\$6,652,770	\$3,569,865	\$3,087,873	(\$481,992)	(14%)
Positions	3,179.60	3,477.70	3,495.70	18	1%

ISSUE 1: FLOODSAFE CALIFORNIA PROGRAM

The Governor's Budget requests continued FloodSAFE funding of \$98.1 million (augment \$83.1 million Prop 1E and \$15 million Prop 84 – continuous appropriation) as part of the multi-year approach to improving flood control.

BACKGROUND

Prior to the 1900s, the California Central Valley routinely flooded, transforming it into an inland sea. This changed in the mid-1900s with the completion of a vast flood control system consisting of levees, weirs, bypasses, and overflow areas. This system fueled the growth of California's agricultural sector and paved the way for millions to settle in the Valley.

Following years of benign neglect, the state experienced a number of flood control system failures, and in the early 2000s, was found liable in the Arreola and Paterno cases for damages caused by levee failures in 1995 and 1986, respectively. Subsequently, DWR proposed a multi-year funding plan including both increased General Fund support as well as bond funding to improve the state's levee systems and to decrease likelihood of future state liability for levee failures.

STAFF COMMENTS/QUESTIONS

This request represents a continuation of activities funded in prior years. After multiple years, DWR has completed and the Central Valley Flood Protection Board adopted, the Central Valley Flood Protection Plan, a major flood planning document designed to bring the state forward both for Central Valley flood planning and to reduce the state's liability from flood events. The department is prepared to update this Subcommittee on its progress with the FloodSAFE program and how this proposal fits into the long-term flood protection plan statewide.

The Central Valley Flood Protection Act of 2008 and subsequent clean-up legislation have adopted the policy of integrating flood control with floodplain conservation. Public safety is the first priority and can most often be enhanced while providing desperately needed fish and wildlife habitat and recreational opportunities. This happens in the design of the flood control system and the individual projects funded by Propositions IE and 84. Levee setbacks, expanded flood bypasses, and habitat projects in floodways are common elements.

DWR understands this new policy direction and has produced a Central Valley Flood Protection Plan that embraces it, but it requires implementation at the project funding level and strong support from the Legislature.

A study group of over a dozen conservation organizations urges the Legislature to strongly support multi-benefit flood projects, as opposed to traditional levee repair and reconstruction. The group also urges the Legislature to strongly endorse a broad view

concerning the use of Proposition IE funding for multi-benefit projects by not limiting it exclusively to mitigation for environmental impacts related to levee repair and reconstruction.

Questions for the Agency. The department should address these questions in their opening statement:

How is DWR planning to incorporate multi-benefits, including fish and wildlife habitat and recreation, into projects that are funding by Proposition IE and 84 appropriations, as required by the Central Valley Flood Protection Plan?

In your view, can the funds appropriated from Proposition IE and 84 for Central Valley Flood Protection Plan related projects be used for fish and wildlife habitat and recreation enhancement, or must they be limited to mitigation only?

Staff Recommendation: Approve as Budgeted.

3860 DEPARTMENT OF WATER RESOURCES
3600 DEPARTMENT OF FISH AND WILDLIFE**ISSUE 1: SALTON SEA RESTORATION**

The Governor's Budget requests an increased appropriation of \$12.1 million (Proposition 84 bond funds) earmarked for the Salton Sea for the restoration of between 800 and 1,200 acres of habitat. The proposal would implement a pilot project to create habitat through the construction of ponds at sites where the sea bed is exposed because of evaporation. The proposal requests reappropriation of funds to provide additional funding for the restoration project, which is estimated to cost approximately \$28 million to complete.

BACKGROUND

The Salton Sea, California's largest inland lake, is an important natural resource for California. The Sea is a key stopover on the Pacific Flyway and provides habitat for more than 400 species of birds – approximately two-thirds of all bird species in the continental United States. Unfortunately, the future of the Sea is highly uncertain. As part of an agreement to transfer water to San Diego and reduce California's overuse of Colorado River water, water flowing to the Sea from the irrigation of agricultural fields in the Imperial Valley will be significantly reduced in 2017. The reduction of 300,000 acre feet annually of water to the Sea will expose as much as 134 square miles of sea bed to the prevailing winds by 2035. That is an area three times larger than the lakebed exposed in Owens Valley. The Imperial Valley already suffers from severe air quality problems – with a childhood asthma rate three times higher than any other part of the state – and does not need more dust storms, and certainly not at the magnitude, we will see from such a large exposed area.

Besides becoming an air quality disaster, the loss of this water would accelerate the Sea's path of biological collapse, creating a brine sink of limited value to birds. The existing fish population would crash and become a tiny remnant near the river mouths, seriously reducing the food base for fish-eating birds. Further, the choking dust storms will also create serious issues for birds.

The Natural Resources Agency reported in its 2009 Environmental Impact Report that the estimated cost of the proposed restoration plan was over \$8 billion -- even taking no action toward the Salton Sea would cost the state over \$1 billion. So far, several million dollars in bond funds have been expended on limited habitat restoration projects. However, the plan lacks a long-term funding strategy and has never been adopted by the Legislature.

In 2012, the Legislature appropriated \$2 million from the Salton Sea Restoration Fund to pay for a restoration funding and feasibility study. However, the Governor used his line-item veto power to veto that appropriation. The Governor in his veto message though instructed the Department of Fish and Wildlife to work with stakeholders on other options for such a study.

This year three new bills have been introduced in the State Legislature:

- AB 71 (V. Manuel Pérez) would require the Secretary of the Natural Resources Agency, in consultation and coordination with the Salton Sea Authority, to lead Salton Sea restoration efforts. It also calls for creation of a technical advisory group, and authorizes expenditure of up to \$2,000,000 from the Salton Sea Restoration Fund to pay for a restoration funding and feasibility study.
- AB 147 (V. Manuel Pérez) calls for a strategic plan to address air pollution at the Salton Sea, including monitoring and mitigation of dust pollution.
- AB 148 (V. Manuel Pérez) would facilitate development of renewable energy potential at the Salton Sea. It calls for establishment of a Salton Sea Renewable Energy and Biofuels Research and Development Program, which would include grants for research and commercial development of renewable energy and biofuel resources through activities such as algae harvesting in the Salton Sea basin.

STAFF COMMENTS

Staff supports the proposals to fund efforts by the DFW and DWR to build a much-needed species conservation habitat project at the Salton Sea.

Staff Recommendation: Approve as Budgeted.

3970 DEPARTMENT OF RESOURCES RECYCLING AND RECOVERY

The Department of Resources Recycling and Recovery (CalRecycle) protects public health and safety and the environment through the regulation of solid waste facilities, including landfills, and promotes recycling of a variety of materials, including beverage containers, electronic waste, waste tires, used oil, and other materials. The Department also promotes the following waste diversion practices: 1) source reduction; 2) recycling and composting; and, 3) reuse. The Budget includes \$1.5 billion and 687 positions for support of the Department.

Expenditures from the Beverage Container Recycling Fund exceed revenues by approximately \$100 million as a result of a combination of historically high recycling rates and mandated program payments. The Fund has remained solvent due to the repayment of previous General Fund loans. All General Fund loans are slated to be repaid to the fund by 2014-15.

Fund Source	2011-12 Actual	2012-13 Projected	2013-14 Proposed	BY to CY Change	% Change
General Fund	\$0	\$0	\$0	0	0
California Beverage Container Recycling Fund	1,182,672	1,193,893	1,196,426	2,533	0%
Other	262,778	267,775	289,103	21,328	8%
Total Expenditure	\$1,445,450	\$1,461,668	\$1,485,529	\$23,861	2%
Positions	592.4	686.6	686.6	0	0%

ISSUE 1: BEVERAGE CONTAINER RECYCLING PROGRAM REFORM TO IMPROVE INTEGRITY

The Governor's Budget requests 8, three-year limited term positions (\$984,000 Beverage Container Recycling Fund – Penalty Account) and associated budget trailer bill language to develop and implement training and certification programs, require the use of the Division of Recycling Integrated Information System (DORIIS), eliminate the comingled recycling rates and implement measures to reduce recycling fraud.

BACKGROUND

The Beverage Container Recycling Program (Program) has achieved significant success over the past several years, but that success has been accompanied by significant challenges, including a tremendous growth in workload and a \$100 million structural deficit. To address these challenges, the Program is shifting the balance of its efforts from primarily encouraging recycling to an increased emphasis on program fiscal integrity, quality control and better use of information resources. This proposal includes the first phase efforts toward that shift of balance.

Consistent with this shift, the CalRecycle requests to implement the following first, basic steps:

- Introduce a new certification application review process that is based on standards of performance and accountability and adequate certification review time to ensure that certified entities better serve the public and the Program;
- Introduce a formal and ongoing training program that is complemented by a technical assistance team which actively consults with industry regarding best practices that increase recycling while fostering the efficiency of operations;
- Require program participants to adopt the Division of Recycling Integrated Information System (DORIIS) that is currently used by 57 percent of participants collectively accounting for more than 72 percent of dollars paid out of the fund to processors and more than 50 percent of dollars paid in;
- Simplify the payment rates for beverage containers and reduce potential losses to the Program by eliminating the use of comingled rates at all recycling centers; and,
- Clarify statute regarding out-of-state containers, fraud and regulations.

STAFF COMMENTS

This proposal is a step in the right direction towards addressing both the structural deficit and program integrity. CalRecycle notes that additional phases might include both statutory and regulatory changes which would impose greater burdens on program participants and which would likely be more costly to administer.

CalRecycle proposes these positions as limited-term in order to provide the opportunity to evaluate and demonstrate if this resource investment is effective in addressing fraud and improving the program's operational integrity as well as examine more stable funding options.

Staff Recommendation: Approve Spring Finance Letter
