

AGENDA

ASSEMBLY BUDGET COMMITTEE NO. 3 RESOURCES AND TRANSPORTATION

ASSEMBLYMEMBER RICHARD BLOOM, CHAIR

WEDNESDAY, APRIL 27

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

CONSENT CALENDAR – SPRING FINANCE LETTERS (SFLS)		
ORG CODE	DEPARTMENT	SUMMARY
0540	NATURAL RESOURCES AGENCY	BOND UNIT REAPPROPRIATIONS. THIS REQUEST WOULD REAPPROPRIATE THE REMAINING FUNDS FOR THE PROPOSITION 12 AND PROPOSITION 40 RIVER PARKWAYS AND CALIFORNIA CULTURAL AND HISTORICAL ENDOWMENT PROGRAMS.
3340	CONSERVATION CORPS	REAPPROPRIATIONS. THIS REQUEST WOULD REAPPROPRIATE FUNDING FOR TWO PROJECTS: AUBURN CAMPUS (KITCHEN, MULTIPURPOSE ROOM AND DORM REPLACEMENT) AND TAHOE BASE CENTER (EQUIPMENT STORAGE RELOCATION).
3340	CONSERVATION CORPS	MINIMUM WAGE INCREASE/TECHNICAL ADJUSTMENT. THIS REQUEST PROVIDES THE REQUIRED AMOUNT TO FULLY FUND THE INCREASE TO CORPSMEMBERS.
3540	DEPARTMENT OF FORESTRY AND FIRE PROTECTION	REAPPROPRIATION OF VARIOUS MINOR PROJECTS (CAPITAL OUTLAY). THIS REQUEST WOULD REAPPROPRIATE FUNDING FOR TWO MINOR PROJECTS: THE LA CIMA CONSERVATION CAMP WASTEWATER TREATMENT SYSTEM AND THE COLUMBIA AIR ATTACK BASE FACILITY IMPROVEMENT PROJECTS.
3540	DEPARTMENT OF FORESTRY AND FIRE PROTECTION	REAPPROPRIATION. THE DEPARTMENT HAS A RESIDUAL BALANCE OF FUNDS FOR MANAGING SEIZED ILLEGAL FIREWORKS. THIS PROPOSAL WOULD ALLOW FOR ONGOING FIREWORKS MANAGEMENT THROUGH THE 2016 FIREWORKS SEASON.
3540	DEPARTMENT OF FORESTRY AND FIRE PROTECTION	TECHNICAL ADJUSTMENT. THIS REQUEST CORRECTS AN ERROR IN THE GOVERNOR'S BUDGET FOR CONTRACT COUNTY WAGE ADJUSTMENTS AND REIMBURSEMENTS.
3600	DEPARTMENT OF FISH AND GAME	FEDERAL FUND AUTHORITY ADJUSTMENT. RECENTLY, THE RECEIPT OF FEDERAL FUNDS FOR THE FEDERAL SPORT FISH RESTORATION PROGRAM AND THE WILDLIFE RESTORATION AND HUNTER EDUCATION PROGRAM HAS INCREASED SIGNIFICANTLY. THIS REQUEST ALIGNS THE APPROPRIATE AMOUNT WITH THE ANTICIPATED ONGOING AWARDS.
3760	COASTAL CONSERVANCY	TECHNICAL ADJUSTMENT. THIS REQUEST REVERTS PRIOR APPROPRIATIONS THAT CONSIST OF ONLY HABITAT CONSERVATION FUND REIMBURSEMENT AUTHORITY BECAUSE THE CONSERVANCY NO LONGER ANTICIPATES RECEIVING REIMBURSEMENTS.
3790	DEPARTMENT OF PARKS AND RECREATION	REAPPROPRIATIONS. THIS REQUEST WOULD REAPPROPRIATE 17 CAPITAL OUTLAY PROJECTS.
3810	SANTA MONICA MOUNTAINS CONSERVANCY	TECHNICAL ADJUSTMENT. THIS REQUEST WOULD ELIMINATE A SUPPORT AND LOCAL ASSISTANCE ITEM IN THE PROPOSED BUDGET. THIS IS NECESSARY TO PREVENT A NEGATIVE BOND ALLOCATION BALANCE.

3825	RIVERS AND MOUNTAINS CONSERVANCY	PROPOSITION 50 AND PROPOSITION 84 REVERSION. THIS REQUEST WOULD REVERT PROPOSITION 50 AND PROPOSITION 84 FUNDS TO RESOLVE NEGATIVE BOND BALANCE ALLOCATIONS. IT WOULD ALSO AUTHORIZE A NEW APPROPRIATION OF \$168,000 (PROPOSITION 50) FOR LOCAL ASSISTANCE.
3845	SAN DIEGO RIVER CONSERVANCY	REIMBURSEMENT AUTHORITY. THIS REQUEST WOULD ALLOW THE CONSERVANCY TO RECEIVE \$1 MILLION IN REIMBURSEMENTS FROM OTHER STATE AGENCIES, LOCAL GOVERNMENTS, AND NON-PROFITS.
3860	DEPARTMENT OF WATER RESOURCES	TECHNICAL ADJUSTMENT. THIS REQUEST IS NECESSARY TO CORRECT DATA ERRORS INADVERTANTLY CREATED, SUCH AS DUPLICATED REDUCTIONS AND INCORRECT PROGRAM SPLITS.
3860	DEPARTMENT OF WATER RESOURCES	REAPPROPRIATIONS. THIS REQUEST WOULD ALLOW MORE TIME FOR VARIOUS WATER-RELATED PROJECTS THAT HAVE BEEN DELAYED FOR VARIOUS REASONS TO BE COMPLETED.
3860	DEPARTMENT OF WATER RESOURCES	EXTENSION OF LIQUIDATION. THIS EXTENSION WILL PROVIDE ADDITIONAL TIME FOR FINAL ACCOUNTING AND PAYMENTS TO BE MADE ON COMPLETED, OR SOON TO BE COMPLETED, PROJECTS.
3860	DEPARTMENT OF WATER RESOURCES	REVERSIONS. THIS REQUEST WILL ALLOW VARIOUS PRIOR YEAR FUNDS THAT ARE NOT EXPECTED TO BE ENCUMBERED OR EXPENDED IN THE CURRENT YEAR TO BE REVERTED.
3940	STATE WATER RESOURCES CONTROL BOARD	TECHNICAL ADJUSTMENTS FOR VARIOUS BOND ITEMS. THIS REQUEST WOULD MAKE TECHNICAL ADJUSTMENTS TO VARIOUS BOND ITEMS TO CORRECTLY APPROPRIATE VARIOUS WATER BOARD BOND ALLOCATIONS.

Vote-Only Calendar

ITEM	DESCRIPTION	
0540	NATURAL RESOURCES AGENCY	
ISSUE 1	RIVER PARKWAYS, URBAN GREENING AND URBAN STREAMS	5
ISSUE 2	IMPLEMENTATION OF AB 142 (SFL)	5
ISSUE 3	TIMBER REGULATION AND FOREST RESTORATION PUBLIC PROCESS AND TECHNICAL SUPPORT (SFL)	5
ISSUE 4	SAN JOAQUIN RIVER SETTLEMENT (SFL)	6
0540 3125 3940	NATURAL RESOURCES AGENCY CALIFORNIA TAHOE CONSERVANCY STATE WATER RESOURCES CONTROL BOARD	
ISSUE 5	SUPPORT FOR TAHOE REGIONAL COMPACT IMPLEMENTATION	6
3125	TAHOE CONSERVANCY	
ISSUE 6	IMPLEMENTATION OF THE LAKE TAHOE ENVIRONMENTAL IMPROVEMENT PROGRAM	7
ISSUE 7	MAINTENANCE OF TAHOE CONSERVANCY SUPPORT AND PROGRAM DELIVERY RESOURCES AND CAPABILITIES	8
3340	CALIFORNIA CONSERVATION CORPS	

ISSUE 8	ENTERPRISE RESOURCE MANAGEMENT SYSTEM (SFL)	8
3540	DEPARTMENT OF FORESTRY AND FIRE PROTECTION	
ISSUE 9	MOUNT BULLION CONSERVATION CAMP – CAPITAL OUTLAY (SFL)	8
ISSUE 10	MOBILE EQUIPMENT REPLACEMENT BUDGET (SFL)	9
3560	STATE LANDS COMMISSION	
ISSUE 11	ABANDONMENT OF BECKER ONSHORE WELL (SFL)	9
ISSUE 12	MARINE INVASIVE SPECIES PROGRAM DATABASE	9
ISSUE 13	MARINE INVASIVE SPECIES PROGRAM WORKLOAD	10
ISSUE 14	REMOVAL OF DENNETT DAM	10
ISSUE 15	SELBY SLAG REMEDIATION	11
ISSUE 16	SPATIALLY INDEXED RECORDS SYSTEM	11
ISSUE 17	YOSEMITE SLOUGH	11
3600	DEPARTMENT OF FISH AND WILDLIFE	
ISSUE 18	PROPOSITION 1 – WATERSHED RESTORATION GRANT (SFL)	12
3640	WILDLIFE CONSERVATION BOARD	
ISSUE 19	SAN JOAQUIN RIVER-PROPOSITION 40 CAPITAL OUTLAY	12
ISSUE 20	WILDLIFE RESTORATION FUND MINOR CAPITAL OUTLAY	13
ISSUE 21	PROPOSITION 1 CONTINUED IMPLEMENTATION – LOCAL ASSISTANCE	13
3760	STATE COASTAL CONSERVANCY	
ISSUE 22	COASTAL ACCESS AND PUBLIC ACCESS PROGRAM	13
ISSUE 23	PROPOSITION 84	14
ISSUE 24	PROPOSITION 1 (SFL)	15
3790	DEPARTMENT OF PARKS AND RECREATION	
ISSUE 25	CAPITAL OUTLAY PROPOSALS	16
ISSUE 26	LOCAL ASSISTANCE: VARIOUS GRANT FUNDING	19
ISSUE 27	OPERATING AGREEMENTS	20
ISSUE 28	QUAGGA AND ZEBRA MUSSELS INFESTATION PREVENTION PROGRAM	21
ISSUE 29	HAZARDOUS MINE AND MILL REMEDIATION	21
ISSUE 30	LOCAL ASSISTANCE - DIVISION OF BOATING AND WATERWAYS (SFL)	21
ISSUE 31	VESSEL OPERATOR CERTIFICATION PROGRAM (SFL)	22
3810	SANTA MONICA MOUNTAINS CONSERVANCY	

ISSUE 32	PROPOSITION 40, 50, & 84 LOCAL ASSISTANCE	22
3830	SAN JOAQUIN RIVER CONSERVANCY	
ISSUE 33	PROPOSITION 40 FUNDING FOR PROGRAM DELIVERY	23
3850	COACHELLA VALLEY MOUNTAINS CONSERVANCY	
ISSUE 34	PROPOSITION 12, 40, & 84 REAPPROPRIATIONS	23
ISSUE 35	PROPOSITION 1 (SFL)	24
3855	SIERRA NEVADA CONSERVANCY	
ISSUE 36	PROPOSITION 84 REVERSIONS	24
ISSUE 37	NATIONAL DISASTER RESILIENCY COMPETITION GRANT (SFL)	24
ISSUE 38	PROPOSITION 84 (SFL)	24
3860	DEPARTMENT OF WATER RESOURCES	
ISSUE 39	PROPOSITION 1 STATEWIDE BOND COSTS	25
ISSUE 40	SYSTEM REOPERATION AND SURFACE STORAGE PROGRAM (SFL)	25
3875	SACRAMENTO-SAN JOAQUIN DELTA CONSERVANCY	
ISSUE 41	AUGMENTATION TO SUPPORT ADMINISTRATIVE FUNCTIONS	25
ISSUE 42	IMPLEMENTATION OF RESTORATION, WATER QUALITY, AND ECONOMIC DEVELOPMENT PROJECTS	25
3940	STATE WATER RESOURCES CONTROL BOARD	
ISSUE 43	PROPOSITION 1 CALIFORNIA WATER COMMISSION WATER STORAGE INVESTMENT PROGRAM	26
3960	DEPARTMENT OF TOXIC SUBSTANCES CONTROL	
ISSUE 44	REPLACEMENT OF LABORATORY EQUIPMENT (SFL)	26

ITEMS TO BE HEARD		
ITEM	DESCRIPTION	
0540 3600 3860 3940	NATURAL RESOURCES AGENCY DEPARTMENT OF FISH AND WILDLIFE DEPARTMENT OF WATER RESOURCES STATE WATER RESOURCES CONTROL BOARD	
ISSUE 1	PROPOSITION 1 STATE OBLIGATIONS	27
3940	STATE WATER RESOURCES CONTROL BOARD	
ISSUE 2	ACCESS TO SAFE DRINKING WATER	36
ISSUE 3	FEDERALLY REQUIRED WORKLOAD IN DIVISION OF DRINKING WATER (SFL)	40
ISSUE 4	PROPOSITION 1 – WATER RECYCLING (SFL)	42
ISSUE 5	LEVIATHAN MINE SETTLEMENT AGREEMENT (SFL)	43
3810 3825 0540	SANTA MONICA MOUNTAINS CONSERVANCY SAN GABRIEL RIVERS AND MOUNTAINS CONSERVANCY NATURAL RESOURCES AGENCY	
ISSUE 6	PROPOSITION 1 – LOS ANGELES RIVER RESTORATION	45
3210	ENVIRONMENTAL PROTECTION PROGRAM	
ISSUE 7	ENVIRONMENTAL LICENSE PLATE FUND	48
3540	DEPARTMENT OF FORESTRY AND FIRE PROTECTION	
ISSUE 8	INCREASED PIPELINE SAFETY WORKLOAD (SFL)	53
3790	DEPARTMENT OF PARKS AND RECREATION	
ISSUE 9	BASE FUNDING TO MAINTAIN OPERATIONS	56
ISSUE 10	COMMUNITY OUTREACH PILOT PROGRAM	60
ISSUE 11	GOAT CANYON SEDIMENT BASIN	62
3960	DEPARTMENT OF TOXIC SUBSTANCES CONTROL	
ISSUE 12	ARGONAUT MINE DAM RETROFIT (SFL)	64
ISSUE 13	ENHANCED PERMITTING AND CAPACITY SUPPORT (SFL)	66
ISSUE 14	STRATEGIC PROGRAM DEVELOPMENT (SFL)	68
ISSUE 15	ENVIRONMENTAL JUSTICE AND TRIBAL AFFAIRS (SFL)	70

VOTE-ONLY**0540 NATURAL RESOURCES AGENCY****VOTE-ONLY ISSUE 1: RIVER PARKWAYS, URBAN GREENING AND URBAN STREAMS**

The Governor's Budget requests to appropriate the remaining Proposition 84 and 40 funds for the River Parkways, Urban Greening and Urban Streams programs - a total of \$5.6 million. In addition, it would extend funding - \$140,000 - and authority for a position for five years to manage the grants associated with these programs. This request would appropriate the remaining funds from the following:

- \$2 million in Proposition 50 for River Parkways projects.
- \$1,458 million in Proposition 84 local assistance funds for projects to be funded under the River Parkways and Urban Greening Program.
- \$1.2 million in Proposition 40 for River Parkways projects.
- \$790,000 in Proposition 40 for Urban Streams projects.
- \$200,000 in Proposition 50 for Sierra Nevada Cascade projects.

These funds are available because of savings from administrative costs, projects that fell through or projects that came in under budget.

VOTE-ONLY ISSUE 2: IMPLEMENTATION OF AB 142 (SFL)

The Governor's Spring Finance Letter requests a one-time appropriation of \$125,000 (Environmental License Plate Fund) to hire a contractor to compile a report as required by AB 142 (Bigelow), Chapter 661, Statutes of 2015. Per statute in AB 142, the Upper Mokelumne Watershed Authority will reimburse the state \$125,000 for the study. AB 142 requires the Secretary of the Natural Resources Agency to submit to the Governor and the Legislature a report that analyzes the suitability or non-suitability of certain sections of the Mokelumne River for State Wild and Scenic River designation by December 31, 2017.

VOTE-ONLY ISSUE 3: TIMBER REGULATION AND FOREST RESTORATION PUBLIC PROCESS AND TECHNICAL SUPPORT (SFL)

The Governor's Spring Finance Letter proposes to make on-going and slightly increase limited-term funding to support public involvement processes, technical assistance, and scientific guidance - \$230,000 from the Timber Regulation and Forest Restoration Fund. The proposal also includes Budget Trailer Bill language to permit providing per diem compensation to persons other than public agency staff who are serving on program advisory committees or working groups.

The Administration has identified the need to offer travel expense reimbursement and per diem compensation to some important stakeholder categories in order to permit their participation on the overall program advisory body and the watershed pilot project working group. There are adequate monies in the Timber Regulation and Forest Restoration Fund to support this request.

VOTE-ONLY ISSUE 4: SAN JOAQUIN SETTLEMENT (SFL)

The Governor's Spring Finance Letter requests \$32,531,000 (Proposition 84) for implementation of the San Joaquin River Restoration Settlement, of which \$15,983,000 will be used for the construction of a fish hatchery, and \$16,548,000 will be used to reimburse California Department of Water Resources and California Department of Fish and Game for work across all aspects of the San Joaquin River Restoration Project.

The San Joaquin River Restoration Program was established upon court acceptance of a Stipulation of Settlement in *Natural Resources Defense Council v. Kirk Rodgers*, in October 2006 on litigation related to the renewal of long-term water supply contracts in the Friant Division of the Central Valley Project.

Staff Recommendation: Approve Issues 1-4

0540 NATURAL RESOURCES AGENCY
3125 CALIFORNIA TAHOE CONSERVANCY
3940 STATE WATER RESOURCES CONTROL BOARD

VOTE-ONLY ISSUE 5: SUPPORT FOR TAHOE REGIONAL COMPACT IMPLEMENTATION

The Governor's Budget requests: \$150,000 to the Natural Resources Agency (CNRA) for the bi-state science-based advisory council; \$400,000 to the Tahoe Conservancy (Conservancy) for aquatic invasive species (AIS) projects and improved public access to sovereign lands; and \$400,000 to the State Water Resources Control Board (SWRCB) for the Lahontan Water Board for near shore monitoring of water quality in Lake Tahoe. All funding is proposed to be drawn from the Lake Tahoe Science and Lake Improvement Account (Account) to implement SB 630 (Pavley), Chapter 762, Statutes of 2013.

The CNRA will use the requested \$150,000 to support the Council. The Council's mission is to advance a role for science in decision-making by promoting collaboration and prioritization among scientists, citizens, managers, and policymakers working toward a sustainable, healthy, and restored Lake Tahoe ecosystem. The Tahoe Science Advisory Council is not a regulatory agency and does not advocate for or against specific policy and management outcomes. Rather,

the council remains neutral and facilitates the integration of unbiased, rigorous science into decision-making.

The Conservancy will use \$400,000 of the requested funding to continue existing efforts to control aquatic invasive species in the Lake Tahoe Basin. Initial efforts will be directed toward invasive weed abatement projects. Additional future project activities could include projects to protect the endangered Tahoe Yellow Cress, and Environmental Improvement Program projects to acquire and/or improve lakefront public access. If appropriated, the \$400,000 from the Account will be matched by Conservancy funding in a similar amount or funds from another public entity. The Conservancy will develop a list of proposed projects through a public process seeking input from Tahoe basin stakeholders.

CNRA:

For more than 20 years, the Lahontan Water Board has invested \$400,000 annually for water quality monitoring at Lake Tahoe. These already-allocated near-shore monitoring resources provide the funding match for the \$400,000 request as required by the law. The additional monies will allow the Lahontan Water Board to expand the established periphyton and phytoplankton monitoring network, increase sampling frequency, and expand the near-shore monitoring program to include additional water quality and biological indicator metrics.

Staff Recommendation: Approve as Budgeted

3125 TAHOE CONSERVANCY

VOTE-ONLY ISSUE 6: IMPLEMENTATION OF THE LAKE TAHOE ENVIRONMENTAL IMPROVEMENT PROGRAM CAPITAL OUTLAY

The Governor's Budget requests capital outlay appropriations totaling \$8,691,000 from dedicated funding sources available for implementation of the Lake Tahoe Environmental Improvement Program (EIP). More specifically, this will include:

- Bonds: \$2,076,000 from Proposition 12; \$248,000 from Proposition 40; \$2,027,000 from Proposition 50; and \$25,000 from Proposition 84;
- Special Funds: \$100,000 from the Lake Tahoe Conservancy Account and \$440,000 from the Tahoe Conservancy Fund; Federal Funds: \$2,000,000 from the Federal Trust Fund.
- In addition, the Conservancy requests \$1,775,000 in reimbursement authority.

The request also involves reversion of the unencumbered balances from three aging bond appropriations. The intent is to include the reverted amounts in fresh appropriations in order to have all remaining Conservancy bond funds within an active appropriation.

VOTE-ONLY ISSUE 7: MAINTENANCE OF TAHOE CONSERVANCY SUPPORT AND PROGRAM DELIVERY RESOURCES AND CAPABILITIES

The Governor's Budget requests baseline support augmentations of: \$19,000 in Proposition 12 program delivery funds; and \$15,000 in Proposition 50 program delivery funds. This request is associated with related capital outlay requests for capital outlay funding from Proposition 12 (\$2,076,000) and Proposition 50 (\$2,027,000). There is sufficient program delivery funding available to sustain this level of program delivery funding through the 2020-21 fiscal year. The requested funding will be used to maintain the Conservancy's support resources and capabilities needed to carry out its responsibilities in implementing the Environmental Improvement Program (EIP) for the Tahoe Basin; and pursuing the State's sustainability, greenhouse gas reduction, and climate change objectives.

Staff Recommendation: Approve as Budgeted Issues 6-7

3340 CALIFORNIA CONSERVATION CORPS

VOTE-ONLY ISSUE 8: ENTERPRISE RESOURCE MANAGEMENT SYSTEM (SFL)

The Governor's Spring Finance Letter requests \$409,000 (Collins-Dugan Reimbursement Account Fund) to provide one-time funding for project management consulting services to complete the Department's priority information technology project C³ System. This additional cost is because of a four-month schedule extension to rework project deliverables that did not meet CCC's quality objectives, and initial testing of the Projects Module failed quality review, requiring more in-depth review and oversight by CCC's technical resources, including the addition of a system architect.

Staff Recommendation: Approve SFL

3560 DEPARTMENT OF FORESTRY AND FIRE PROTECTION

VOTE-ONLY ISSUE 9: MOUNT BULLION CONSERVATION CAMP - CAPITAL OUTLAY (SFL)

The Governor's Spring Finance Letter requests \$833,000 (General Fund) to provide one-time funding for design and construction of a replacement sewer system at Mount Bullion Conservation Camp. This project is necessary because the existing system is failing and the camp is operating under emergency measures to comply with Regional Water Quality Control Board guidelines and to protect the health and safety of camp inmates and staff.

VOTE-ONLY ISSUE 10: MOBILE EQUIPMENT REPLACEMENT BUDGET (SFL)

The Governor's Spring Finance Letter requests \$6 million (General Fund) to provide funding for the Department's mobile equipment replacement budget to restore funding that was redirected in Fiscal Year 2015-16 for purchase of equipment to address dead and dying trees throughout the state.

Staff Recommendation: Approve SFLs Issues 9-10

3560 STATE LANDS COMMISSION

VOTE-ONLY ISSUE 11: ABANDONMENT OF BECKER ONSHORE WELL (SFL)

The Governor's Budget is requesting \$200,000 (General Fund) to conduct Phase I activities and \$700,000 (General Fund) in 2017-18 for Phase 2 activities related to the abandonment of the Becker Onshore Well. The Well is part of the Summerland Oil Field developed in the late 1890s from shore and from wharfs that extended into the Pacific Ocean. The well is located in the surf zone area approximately 30 to 40 feet offshore.

Oil from the leaking well causes sheening to occur in the ocean off Summerland Beach, thereby creating a threat to the health and safety of the public and the marine environment. Since no party has been identified as being responsible for the abandonment of the Well, the State of California, as owner of the land on which the well is located, will likely be liable. The requested Phase I activities include the environmental review and documentation pursuant to CEQA, permitting, and engineering. This request replaces the budget change proposal that was included in the Governor's Budget with a different funding source.

VOTE-ONLY ISSUE 12: MARINE INVASIVE SPECIES PROGRAM DATABASE

The Governor's Budget requests a onetime increase of \$400,000 and a continuing appropriation of \$75,000 from the Marine Invasive Species Control Fund to develop, implement, and maintain an automated interactive public facing web-based data entry portal that will collect data on the ballast water and biofouling management practices of commercial ships that arrive at California ports.

Specifically, this proposal requests additional resources to update the existing internal Marine Invasive Species Program (MISP) database application by developing a web-based external (public) facing data entry portal for the regulated community by June 2017. Within 12 months of the completion of this database upgrade, the Commission will:

- reduce the number of reporting forms processed manually by 70 percent;
- reduce the time required to conduct quality assurance/quality control processes by 70 percent;
- reduce the average annual data entry errors by 65 percent;
- improve the ability of MISP to provide weekly accurate data reports; and
- redirect staff to other legislatively mandated programmatic responsibilities and support of the application.

A Stage 1 Business Analysis for this project was approved by the California Department of Technology on June 30, 2015. The Stage 2 Alternatives Analysis was approved by the Department of Technology on December 17, 2015.

VOTE-ONLY ISSUE 13: MARINE INVASIVE SPECIES PROGRAM WORKLOAD

The Governor's Budget requests an increase of \$135,000 (Marine Invasive Species Control Fund) to support a new position in the Marine Facilities Division Marine Invasive Species Program (MISP). The MISP was established to prevent the introduction of non-native species from commercial ships entering into California waters. The MISP is currently proposing and implementing regulations to expand invasive species management requirements for ships that arrive at California ports. The implementation of the new regulations beginning in mid-2016 will substantially increase the workload of existing MISP scientists beyond capacity.

VOTE-ONLY ISSUE 14: REMOVAL OF DENNETT DAM

The Governor's Budget requests \$367,000 (General Fund) to remove Dennett Dam. Dennett Dam is the remnants of an old, dilapidated dam located on the Tuolumne River in Stanislaus County. The dam currently poses a threat to public safety, is an on-going legal liability, a barrier to fish passage, impedes recreational access to and on the river, and negatively impacts fish habitat. The funding request is contingent upon partnering with the Tuolumne River Preservation Trust (Trust) to provide an equal amount of funding. The Trust has provided matching funds for the \$133,000 approved through a previous Budget Change Proposal for Phase II. The Trust has also secured additional grant funds from the Urban Streams Restoration Program for Phase III work. The \$367,000 request represents the balance of the \$500,000 maximum contribution of the State Lands Commission.

Evidence suggests the State of California condemned the dam in 1947. Since 2006, three people have drowned at the dam. The State of California has been a named party in the wrongful death lawsuits. (One of the cases has been settled with the State paying out approximately \$150,000 to resolve the allegations against California Department of Fish and Wildlife and California Department of Water Resources.) One of the lawsuits is currently awaiting trial as a settlement offer made by the State was rejected. The Attorney General's Office has spent over \$300,000 in staff costs defending the State. The amount expended thus far

(approximately \$450,000) exceeds the remaining balance requested in this BCP. Additional costs are expected as the cases move forward to trial. While the Commission itself has not been named, it has been put on notice that it may be liable for any damages rendered.

VOTE-ONLY ISSUE 15: SELBY SLAG REMEDIATION

The Governor's Budget requests \$369,350 (General Fund) to fund the State's obligation to pay a proportionate share of certain ongoing hazardous waste remediation costs at Selby, California. Pursuant to a 1989 Consent Judgment the California State Lands Commission's (CSLC) share of these costs is 38%. The activities identified for funding total \$932,500. The CSLC's portion (38%) is \$354,350. In addition to these costs, the Department of Toxic Substances Control has provided CSLC staff with an estimate of \$15,000 for CSLC's share of DTSC's staff oversight costs that include direct and indirect labor costs attributable to the Selby slag site.

VOTE-ONLY ISSUE 16: SPATIALLY INDEXED RECORDS SYSTEM

The Governor's Budget requests \$225,000 (General Fund) to develop a plan to digitize CSLC documents (both present and historical) and to modernize the way they do business. Specifically, the objectives of the "Spatially Indexed Records Management System Plan" are to address the following identified business needs:

- Increase ease-of-access to CSLC data;
- Streamline business processes;
- Upgrade the legacy paper "GIS" environment to a digital GIS indexed solution for reference to physical files; and
- Preserve vital records.

The results of the planning phase of this project will ensure that staff and citizens will be able to access historical records, provide a method to efficiently locate and access records vital to the CSLC's mission, and protect records in the event of a disaster.

VOTE-ONLY ISSUE 17: YOSEMITE SLOUGH

The Governor's Budget requests \$85,000 (General Fund) to fund the CSLC's portion of 16 technical studies related to the remediation of Yosemite Slough in San Francisco. The United States Environmental Protection Agency (US EPA) has named the CSLC as a potentially responsible party (PRP) of the Yosemite Slough sediment site. Other State and Federal agencies and numerous private parties have also been named as PRPs by the US EPA. With the assistance of the Attorney Generals' Office, the CSLC, Parks, and the City of San Francisco are negotiating a settlement agreement with the US EPA to fund and complete four

technical studies required at the site. As part of the settlement, the US EPA agrees not to sue the public entities if they perform the studies. This request is for the funding to pay for CSLC's share of the studies and the US EPA's oversight costs.

Yosemite Slough is a shallow marine channel or "slough" that connects to San Francisco Bay. It is located between the former Hunters Point Naval Shipyard and Candlestick Point. The sediment in Yosemite Slough has over the course of many decades become contaminated by a combination of sources, including: industrial activities in the surrounding drainage basin, which produced sediments that were then transported to the slough by way of the combined storm and sewer system; release of contamination from materials placed during filling and/or development activities on the surrounding lands; undocumented commercial and industrial discharges directly into the slough; urban runoff of storm water; and flooding of nearby sewage pump stations at high tide releasing flows back into the bay.

Staff Recommendation: Approve Issues 11-17

3600 DEPARTMENT OF FISH AND WILDLIFE

VOTE-ONLY ISSUE 18: PROPOSITION 1: WATERSHED RESTORATION GRANTS (SFL)

The Governor's Spring Finance Letter requests \$20 million (Proposition 1) and provisional language be added authorizing the additional funds be prioritized for eligible grant applications received in fiscal year 2015-16. The Department awarded a total of \$31.4 million (Proposition 1) through the Water Restoration Grant Program including \$24.6 million for projects of statewide importance outside of the Sacramento-San Joaquin Delta; and approximately \$6.8 million through the Delta Water Quality and Ecosystem Restoration Grant Program for projects that benefit the Sacramento-San Joaquin Delta specifically. The demand in grant requests for watershed restoration and protection projects was much larger than initially anticipated and the additional funds will help accelerate projects.

Staff Recommendation: Approve SFL

3640 WILDLIFE CONSERVATION BOARD

VOTE-ONLY ISSUE 19: SAN JOAQUIN RIVER- PROPOSITION 40 (CAPITAL OUTLAY)

The Governor's Budget requests a new appropriation of \$2.5 million (\$1.5 million in expenditure authority and \$1 million in additional reimbursement authority) from naturally reverted unexpended Proposition 40 funds. This proposal will allow the San Joaquin River Conservancy (SJRC) to implement its conservation, public access,

recreation, and environmental restoration capital improvement programs. The SJRC and Wildlife Conservation Board have executed an MOU for the cooperative administration of the SJRC programs.

VOTE-ONLY ISSUE 20: WILDLIFE RESTORATION FUND MINOR CAPITAL OUTLAY

The Governor's Budget requests request \$1,000,000 from the Wildlife Restoration Fund (WRF) for the purposes of the Wildlife Conservation Board's Public Access Program.

VOTE-ONLY ISSUE 21: PROPOSITION 1 CONTINUED IMPLEMENTATION – LOCAL ASSISTANCE

The Governor's Budget requests \$41,900,000 (Proposition 1) in Local Assistance project funding that may also be made available for Capital Outlay. Of the total amount requested, \$38,400,000 is requested for the Wildlife Conservation Board (WCB) to continue the implementation of the stream flow enhancement program and \$3,500,000 is requested for the San Joaquin River Conservancy (SJRC) to continue implementation of the multi-benefit watershed protection and restoration program. This represents an increase of \$1,500,000 from the 2015-16 funding.

SJRC and WCB have executed a Memorandum of Understanding to provide for the WCB's assistance in administering bond funds appropriated to the WCB and allocated to SJRC programs.

Staff Recommendation: Approve as Budgeted Issues 19-21

3760 STATE COASTAL CONSERVANCY

VOTE-ONLY ISSUE 22: COASTAL ACCESS AND PUBLIC ACCESS PROGRAM

The Governor's Budget requests Appropriate \$850,000 to the Coastal Conservancy: \$500,000 (Coastal Access Account) and \$350,000 (California Beach and Coastal Enhancement Account) for purposes of local assistance and capital outlay to continue implementation of the Conservancy's Public Access, Education and related programs. Funds would be used to develop, operate and maintain public accessways, including accepted offers-to-dedicate and to support public education related to coastal resources. Funds would be disbursed as grants to public agencies and non-profit organizations directly by the Coastal Conservancy for recreational and interpretive facilities, materials and events. The amounts appropriated as local assistance and capital outlay are requested to be made available for encumbrance

until June 30, 2019.

VOTE-ONLY ISSUE 23: PROPOSITION 84

The Governor's Budget requests a reversion of the unencumbered balance from a previous appropriation made to the Conservancy pursuant to Proposition 84 and appropriation of \$25,000,000 Proposition 84 for purposes of local assistance and capital outlay, which includes \$7,000,000 in reimbursement authority. The requested appropriations would be from funds specifically allocated to the Conservancy and used for the following purposes:

- To acquire, restore and enhance river and stream corridors, wetlands, urban watersheds, bays and estuaries & related coastal waters, beaches, and other environmentally sensitive lands and waters in coastal areas to protect public health and safety, and to preserve biodiversity and working landscapes;
- To acquire land and rights-of-way, to develop public accessways, including accepted offers-to-dedicate, to expand and improve the California Coastal Trail, and to preserve scenic open space lands.
- To acquire, restore and enhance wetlands and other environmentally sensitive lands in the San Francisco Bay area. Funds would also be used to complete portions of the San Francisco Bay Trail, the Bay Area Ridge Trail, connecting trail corridors and the San Francisco Bay Water Trail, to develop educational and recreational facilities of regional importance, and to acquire open space and recreational lands of regional or statewide importance.
- To prepare and implement a Santa Ana River Parkway and Open Space Plan which created the Santa Ana River Conservancy Program within the Conservancy to address the resource and recreational goals of the Santa Ana River corridor.

Funds would be disbursed as grants to public agencies and non-profit organizations or expended directly by the Coastal Conservancy for specific activities consistent with the Conservancy's enabling legislation. Funds are requested to be available for encumbrance for either local assistance or capital outlay until June 30, 2019.

VOTE-ONLY ISSUE 24: PROPOSITION 1 (SFL)

The Governor's Spring Finance Letter requests Proposition 1 funding for watershed protection and restoration projects as follows:

Local Assistance and Capital Outlay: \$ 11,893,000
Program Delivery: \$ 500,000

The funds would be used for purposes of protecting rivers, lakes, streams, coastal waters, and watersheds in the coastal and San Francisco Bay Area regions.

Staff Recommendation: Approve Issues 22-24

3790 DEPARTMENT OF PARKS AND RECREATION**VOTE-ONLY ISSUE 25: CAPITAL OUTLAY PROPOSALS**

The Governor's Budget requests funding for the following Capital Outlay projects:

State Park	Title/Summary	Amount <small>(Dollars in Thousands)</small>
El Capitan State Beach	Construct New Lifeguard Operations Facility. Requests funding for the construction and equipment phases of this continuing project from available Proposition 84 funds. This existing project will demolish the existing lifeguard tower located in the El Capitan State Beach campground and construct a new lifeguard operations facility adjacent to the existing El Capitan State Beach maintenance facility. The new facility will provide up to 6,500 square feet of office and vehicle/support space.	\$8,345
Torrey Pines State Natural Reserve	Utility Modernization. Requests funding for the construction phase of this continuing project from available Proposition 84 bond funds. This existing project will connect the park to the local sewer system to address significant public health and safety concerns, to avoid sensitive habitat degradation, and to reduce deferred maintenance and ongoing repair costs. The project also includes associated upgrades to the aging water and utility infrastructure.	2,149
Gaviota State Park	Main Water Supply Upgrades. Requests funding for the working drawings phase of this continuing project from available Proposition 84 funds. This existing project will develop water supply facilities for the southern portion of the Gaviota State Park to provide a consistent water supply for the public, staff, and fire suppression, to ensure the health and safety of park occupants and avoid significant annual repair costs and intermittent water supply outages. The project includes a new well and water treatment facility or upgrading the existing water supply line, as appropriate.	142

Heber Dunes State Vehicular Recreation Area	Water System Upgrades. Requests funding for the working drawings and construction phases of this continuing project from the Off-Highway Vehicle Trust Fund. This existing project will develop a new water treatment and distribution system to: (1) meet current demand for potable water; (2) meet health department standards; (3) provide secure storage to comply with state water security guidelines; and (4) protect the new water treatment system from the harsh desert climate. The project will address health and safety concerns related to inadequate potable water supply and support continued park operations.	1,086
McArthur-Burney Falls Memorial State Park	Ramp and Boarding Float Replacement. Requests funding for the construction phase of this continuing project from the Harbors and Watercraft Revolving Fund. This existing project will improve safety and convenience for users by completely reconstructing the dilapidated boat launching ramp and boarding float at this location, both of which have exceeded their intended design lives.	618
Angel Island State Park	East Garrison Mooring Field. Requests funding for the construction phase of this continuing project from the Harbors and Watercraft Revolving Fund. This existing project will improve safety and convenience of recreational boaters by restoring the abandoned mooring field at the East Garrison location of the park and will clean up the site by removing debris from the bay floor, as needed. This project will construct up to 32 mooring buoys, a reduction from the original request to ensure vessels are properly spaced.	\$582
Malibu Creek State Park	New Stokes Creek Bridge. Requests funding for the working drawings phase of this continuing project from available Proposition 84 funds. This existing project will replace an existing, undersized arch culvert with a bridge to restore a secondary escape route for park visitors in the event of fire or other emergencies and provide a dedicated service entrance for park staff to access the district office, thereby eliminating the need to travel through the campground. In addition to increasing public safety, this project would also eliminate a significant portion of the park's deferred maintenance backlog, prevent ongoing damage to the existing road and restore the creek to its natural configuration.	233
Reappropriation	Capital Outlay Program. Requests reappropriation of the existing Capital Outlay appropriation for the preliminary plans phase of the Old Sacramento State Historic Park Boiler Shop Renovation project. Due to the acquisition process of this property, the renovation project has yet to start. The preliminary plans phase will begin once the acquisition transfer and settlement agreement is in place; currently anticipated to occur in Fall 2016.	726

Statewide: Off-Highway Vehicle (OHV) Minor Capital Outlay Program.	Requests funding from the Off-Highway Vehicle Trust Fund for the OHV minor capital outlay program. This will fund three minor projects at various State Vehicular Recreation Areas. These projects will provide for enhancements or improvements to address critical issues impacting health and safety that include park operations; public recreation and access; energy efficiency; and resource protection and restoration. The projects will enable or enhance program delivery.	1,716
Topanga State Park	Rebuild Trippet Ranch Parking Lot. Requests funding from available Proposition 84 funds for preliminary plans phase to rehabilitate the Trippet Ranch parking lot and surrounding area damaged by erosion and storm water. This project will reduce the safety risk to the public, reduce maintenance costs, and better support interpretive uses of the historic zone.	316
El Capitan State Beach	Entrance Improvements. Requests funding from available Proposition 84 funds for preliminary plans phase to address safety and operational issues at the park entrance. This project will provide an alternate safe route for pedestrians and bicyclists; provide increased space for today's larger vehicles on the park road and entrance area; replace a culvert with a bridge to allow the endangered steelhead trout a barrier free passage; and replace the aging and damaged entrance kiosk.	\$358
McGrath State Beach	Campground Relocation and Wetlands Restoration. Requests funding from available Proposition 40 funds for preliminary plans phase to relocate the existing campground, maintenance yard, employee housing, campfire center, and day use parking. The campground and associated facility relocation/rehabilitation, including utility infrastructure replacement, is required due to yearly flooding resulting in loss of major revenue generation and disruption of access to the operational and visitor use facilities. This project will assist in avoiding significant costs for ongoing clean-up and repair of deteriorating facilities due to regular flood damage.	1,029
Prairie City State Vehicular Recreation Area	Initial Erosion Control. Requests funding from the Off-Highway Vehicle Trust Fund for preliminary plans phase to address erosion issues caused by storm water runoff. This project will include the installation of sediment basins, storm water spray fields, drainage crossings and riparian areas. In addition, there will be drainage control measures including culverts, diversion ditches and swales. The project will meet Best Management Practices (BMPs) for storm water management pursuant to the federal Clean Water Act. A comprehensive Watershed Assessment Study, performed through a separate effort, will be used as a detailed guide in implementing this project.	275

McArthur-Burney Falls Memorial State Park	Group Camp Development. Requests reimbursement authority for preliminary plans and working drawings phases to develop two adjoining group camps. Development of the group camps is expected to increase the park's group camping capacity by a total of 100 campers. This new project is to be fully reimbursed with non-state funds from Pacific Gas and Electric (PG&E) obligations.	62
Statewide: Minor Capital Outlay Program	Requests funding from available Proposition 84 funds for the state park system minor capital outlay program. This will fund one minor project Sinkyone Wilderness State Park to replace dilapidated and failing vault toilets. These improvements are needed to address health and safety concerns related to sewage disposal and limit ongoing special repair/deferred maintenance costs.	395
Statewide: Rec Trails Minor Capital Outlay Program	Requests funding from available Proposition 84 funds for the recreational trails minor capital outlay program. This will fund three minor projects at various state park units. These projects will provide for enhancements or improvements to address critical safety issues that include park operations, public recreation and access, and resource protection and restoration. The projects will enable or enhance program delivery.	\$900

VOTE-ONLY ISSUE 26: LOCAL ASSISTANCE: VARIOUS GRANT FUNDING

The Governor's Budget requests funds in the amount of \$118,906,000 from various special and federal funds for local assistance programs that provide grants to various agencies. The Department's Office of Grants and Local Services, Off-Highway Motor Vehicle Recreation Division, Division of Boating of Waterways, and the Office of Historic Preservation, administer departmental grant programs that provide federal and state funds to local and State agencies and other organizations. Grants are generally for parks, recreation and resources related projects.

Funding Summary

Fund Source (Local Assistance)	Amount
Off-Highway Vehicle Trust Fund	26 million
Harbors and Watercraft Revolving Fund	34.9 million
Abandoned Watercraft Abatement Fund	1.7 million
Recreational Trails Fund	23.4 million
Federal Trust Fund	26.7 million
Public Beach Restoration Fund	6.2 million
Total	\$118.9 million

Program Summary

Program Funding	Amount
Off Highway Vehicle Grants	33 million
Boating and Waterways Grants and Loans	9 million
Boating Facilities	25.3 million
Boating Operations	13.2 million
Beach Erosion Control	6.2 million
Recreational Grants	30.4 million
Historic Preservation Grants	1.7 million
Total	\$118.9 million

VOTE-ONLY ISSUE 27: OPERATING AGREEMENTS

The Governor's Budget requests approval to negotiate new or extend existing operating agreements for Dockweiler State Beach and Robert Crown Memorial State Beach.

Dockweiler State Beach Operating Agreement: The Department requests authority from the Legislature to enter into a new operating agreement with the City of Los Angeles (City) for the operation and maintenance of a portion of Dockweiler State Beach (SB) located in Los Angeles County (County). The new agreement will be for a term of up to fifty (50) years and will continue public access to park facilities including day use beach access, parking, water recreation activities, restrooms, showers, and special events. Dockweiler SB is comprised of 288 acres of dune sand: 21 acres north and 267 acres south of the Marina del Rey Channel. The Department entered into a 50 year lease agreement with the City for the operation and maintenance of Dockweiler SB in 1948.

Robert Crown Memorial State Beach: The Department seeks to negotiate a new operating agreement of up to thirty (30) years with East Bay Regional Park District (East Bay) for the operation of Robert W. Crown Memorial State Beach located in Alameda County, California. The agreement will continue public access to park facilities through day use picnic areas, beach access, water recreation activities, hiking trails, restrooms, showers, bird sanctuary, visitor center, and special events. The park unit has been operated by East Bay through an agreement between East Bay and the Department since 1966.

VOTE-ONLY ISSUE 28: QUAGGA AND ZEBRA MUSSELS INFESTATION PREVENTION PROGRAM

The Governor's Budget proposes an increase in ongoing support funding of \$186,000 from the Harbors and Watercraft Revolving Fund for program delivery of the Quagga and Zebra Mussel Infestation Prevention Grant Program. These funds will ensure successful administration of grants available to water body managers and owners of reservoirs that are open to the public and are currently un-infested by quagga and zebra mussels. These funds will support the quagga and zebra mussel prevention activities pursuant to Assembly Bill 2443 (Chapter 485, Statutes 2012).

VOTE-ONLY ISSUE 29: HAZARDOUS MINE AND MILL REMEDIATION

The Governor's Budget requests one-time funding of \$1,222,000 from the State Parks and Recreation Fund for permit monitoring, study, evaluation, alternative analysis, and implementation of remedial actions to abate contamination resulting from historic mining activities at Malakoff Diggins State Historic Park (SHP). Malakoff Diggins SHP is currently under order issued by the Central Valley Regional Water Quality Control Board to protect human health, the environment, and waters of the State. Funding this proposal is necessary for the Department to comply with the Waste Discharge Requirements.

VOTE-ONLY ISSUE 30: LOCAL ASSISTANCE - DIVISION OF BOATING AND WATERWAYS (SFL)

The Governor's Spring Finance Letter proposes an increase of \$2,600,000 from the Public Beach Restoration Fund (PBRF) to administer its previously proposed Public Beach Restoration Act projects. Additionally, this proposal requests an increase of \$700,000 from the Harbors and Watercraft Revolving Fund (HWRF) to support a Beach Erosion Control project.

This request is technical in nature, and seeks to remedy funding issues in the initial proposal. Previously-requested funding was calculated based on an assumed 50-50 state-local cost-share ratio. However, the Public Beach Restoration Act requires the funding of the nonfederal project cost for restoration, nourishment, or enhancement of non-state public beaches to be 85 percent with a 15 percent match from local sponsors, provided as funds or in-kind services. The proposed increase of \$2,600,000 seeks to fix this technical funding discrepancy and provide the 85-15 state to local match ratio.

Additionally, the Department has reanalyzed the request for \$700,000 for Santa Cruz Beach Erosion Control project and has determined that the project is indeed critical and within the scope of the Beach Erosion Control Program.

Finally, this proposal includes provisional language to allow the Department to administer the Public Beach Restoration Program regardless of geographic location to ensure the program is still viable in the event that insufficient applications are received to satisfy the statutorily required regional split.

VOTE-ONLY ISSUE 31: VESSEL OPERATOR CERTIFICATION PROGRAM (SFL)

The Governor's Spring Finance Letter proposes \$3,000,000 (Harbors and Watercraft Revolving Fund) be authorized for transfer to the Vessel Operator Certification Account. These funds will be used to support an existing appropriation to implement the requirements of SB 941 (Monning), Chapter 433, Statutes of 2014, which establishes the Vessel Operator Card Program.

SB 941 prohibits the operation of a motorized vessel in California without a valid vessel operator card developed and issued by the Division of Boating and Waterways (DBW). The card shall be issued to those operators who pass a vessel operator exam approved by DBW. DBW is tasked with the development, establishment and operation of the Vessel Operator Card Program, including the establishment and consultation of a technical advisory group. DBW anticipates entering into a contract with at least two vendors in early 2017. Additionally, DBW plans to work with the Department's Information Technology Office to develop an internal database to house the necessary California Vessel Operator Card data.

Staff Recommendation: Approve Issues 25-31**3810 SANTA MONICA MOUNTAINS CONSERVANCY****VOTE-ONLY ISSUE 32: PROPOSITION 40, 50, & 84 LOCAL ASSISTANCE AND CAPITAL OUTLAY**

The Governor's Budget requests a new appropriation of up to \$2,322,000 for Local Assistance for the implementation of projects consistent with the bond acts and with the Santa Monica Mountains Comprehensive Plan, the SMMC Work programs for Land Acquisition and Park Development and Improvements, the SMMC strategic Plan, and the Rim of the Valley Trail Corridor Master Plan. Projects are coordinated with federal, state, and local governments and non-profit entities. Specifically, the proposal requests appropriations from the following fund sources:

- Conservancy Fund: \$200,000
- Proposition 40: \$775,000
- Proposition 50: \$300,000
- Proposition 84: \$1,047,000

Funds will be used for the acquisition, enhancement, restoration, of natural lands, improvement of public recreation facilities, and for grants to local agencies and nonprofit organizations to increase access to parks and recreational opportunities for underserved urban communities.

Staff Recommendation: Approve as Budgeted

3830 SAN JOAQUIN RIVER CONSERVANCY

VOTE-ONLY ISSUE 33: PROPOSITION 40 FUNDING FOR PROGRAM DELIVERY
--

The Governor's Budget requests \$191,000 (Proposition 40) for program delivery for projects and grants provided with current Proposition 40 project funds. The Conservancy must continue to implement its program using remaining capital outlay balances from both bond funds (appropriated within the WCB budget) for land acquisitions, environmental restoration, and public access and recreation capital improvements, to achieve its mission and fulfill the expectation of the voters. This program will be accomplished by both the program-delivery staff and other Conservancy staff through direct state activities and through local assistance grants.

The current program delivery funding from Proposition 84 provides for one full-time program delivery position within the Conservancy, one full-time program delivery position within the Wildlife Conservation Board (WCB) dedicated to Conservancy projects, and related expenses. Program delivery staffing allows the Conservancy to execute its capital outlay program and thereby advance its mission to protect habitat lands and provide public access and recreation along the San Joaquin River Parkway.

Staff Recommendation: Approve as Budgeted

3850 COACHELLA VALLEY MOUNTAINS CONSERVANCY

VOTE-ONLY ISSUE 34: PROPOSITION 12, 40, & 84 REAPPROPRIATIONS
--

The Governor's Budget requests reappropriations of the balances from its 2013-14 capital appropriations from Proposition 12, 40 and 84 to provide acquisition funding to enable the Conservancy to implement its mission of acquiring and protecting mountainous and natural community conservation plan lands.

VOTE-ONLY ISSUE 35: PROPOSITION 1 (SFL)

The Governor's Spring Finance Letter requests \$6.81 million (Proposition 1) for the Coachella Valley Mountains Conservancy to implement the remaining years in its competitive Multi-Benefit Ecosystem and Watershed Protection and Restoration Projects Grant Program. Funded projects would implement the objectives of Proposition 1 and the California Water Action Plan within the Coachella Valley. The full request amount represents the remaining portion of the total \$10 million in Proposition 1 funding designated for the Conservancy.

Staff Recommendation: Approve Issues 34-35

3855 SIERRA NEVADA CONSERVANCY

VOTE-ONLY ISSUE 36: PROPOSITION 84 REVERSIONS

The Governor's Budget requests reversion of the remaining balances for Proposition 84 Program Support for Fiscal Year 2014-15 and any unencumbered balances for Local Assistance for 2009-10 before the natural reversion dates.

VOTE-ONLY ISSUE 37: NATIONAL DISASTER RESILIENCY COMPETITION GRANT (SFL)

The Governor's Spring Finance Letter requests \$400,000 increase in reimbursement authority. The Conservancy is also requesting two permanent positions to oversee a multi-year federal grant program. The Conservancy, in coordination with the Department of Housing and Community Development (HCD) applied for and was awarded a block grant from the National Disaster Resiliency Competition (grant). The Conservancy will provide administration, planning, and oversight for two of the projects awarded in the grant, Forest and Watershed Health (\$27 million) and an Integrated Biomass and Wood Products Facility (\$21 million). The funding is being provided for projects in Tuolumne County and the surrounding counties impacted by the Rim Fire. The HCD will receive the grant and enter into an agreement with the Conservancy for grant administration for its portion of the award. Providing this level of reimbursement authority will allow for flexibility when administering the grant program.

VOTE-ONLY ISSUE 38: PROPOSITION 84 (SFL)

The Governor's Spring Finance Letter requests \$403,000 (Proposition 84 funds) to provide local assistance funding for watershed protection grants.

Staff Recommendation: Approve Issues 36-38

3860 DEPARTMENT OF WATER RESOURCES

VOTE-ONLY ISSUE 39: PROPOSITION 1 STATEWIDE BOND COSTS

The Governor's Budget requests \$583,000 (Proposition 1) to fund two new positions and one existing position, and to annually support these positions over the life of the bond. All statewide bond costs over the life of the bond are estimated to be \$150.9 million (2 percent of the bond). The funding and related staff will allow the Department of Water Resources (DWR) to oversee Proposition 1 activity on behalf of DWR and all departments that will receive funding from Proposition 1. This proposal is requesting funds to cover two DWR Division of Technology Services positions, and a management position within DWR's Bond Accountability Office that will have direct oversight in website and expenditure tracking at DWR.

VOTE-ONLY ISSUE 40: SYSTEM REOPERATION PROGRAM AND SURFACE STORAGE PROGRAM (SFL)

The Governor's Spring Finance Letter requests to revert \$2,990,000 previously appropriated funding for the System reoperation and Surface Storage Programs and provide a new appropriation for the same programs over the next four years to meet changing water management requirements driven by the impacts of Sustainable Groundwater Management Act (SGMA) and Proposition 1. The Department of Water Resources needs to realign the resources and timeline for these programs to incorporate the new requirements.

Staff Recommendation: Approve Issues 39-40

3875 SACRAMENTO-SAN JOAQUIN DELTA CONSERVANCY

VOTE-ONLY ISSUE 41: AUGMENTATION TO SUPPORT ADMINISTRATIVE FUNCTIONS

The Governor's Budget requests a permanent baseline funding increase of \$10,000 (General Fund) to cover an increase in workers' compensation insurance.

VOTE-ONLY ISSUE 42: IMPLEMENTATION OF RESTORATION, WATER QUALITY, AND ECONOMIC DEVELOPMENT PROJECTS

The Governor's Budget requests an increase of \$290,000 in its federal reimbursement authority to fully implement the projects funded by three Environmental Protection Agency grants and one Economic Development Administration grant.

Staff Recommendation: Approve as Budgeted Issues 41-42

3940 STATE WATER RESOURCES CONTROL BOARD

VOTE-ONLY ISSUE 43: PROPOSITION 1 CALIFORNIA WATER COMMISSION WATER STORAGE INVESTMENT PROGRAM

The Governor's Budget requests one position and \$130,000 reimbursement authority to provide technical assistance and policy expertise under an Interagency Agreement with the DWR to support the development and implementation of the California Water Commission's Proposition 1 Water Storage Investment Program (WSIP). Proposition 1 directs the SWRCB to provide consultative technical, policy, and administrative support to the California Water Commission in developing and implementing their WSIP.

Staff Recommendation: Approve as Budgeted

3960 DEPARTMENT OF TOXIC SUBSTANCES CONTROL

VOTE-ONLY ISSUE 44: REPLACEMENT OF LABORATORY EQUIPMENT (SFL)

The Governor's Spring Finance Letter requests \$2 million (Hazardous Waste Control Account) on a one-time basis to procure laboratory and investigatory equipment used for conducting investigations in support of criminal, civil, and administrative enforcement of hazardous waste laws. This funding is the result of a settlement agreement that specifies the use of these funds.

Staff Recommendation: Approve SFL

ITEMS TO BE HEARD

0540 NATURAL RESOURCES AGENCY
3600 DEPARTMENT OF FISH & WILDLIFE
3860 DEPARTMENT OF WATER RESOURCES

ISSUE 1: PROPOSITION 1 STATEWIDE OBLIGATIONS

The Governor's Budget requests \$464.9 million (Proposition 1) and one position to fund projects that fulfill state obligations under several agreements as follows:

Statewide Obligation & Agreements	Department	Amount
Klamath Hydroelectric Settlement Agreement	Natural Resources Agency	250.00
Central Valley Project Improvement Act	Natural Resources Agency	89.9
Salton Sea Restoration Act	Water Resources	80.0
San Joaquin River Restoration Act	Water Resources Fish and Wildlife	27.0 18.0
	Total	464.9

*This total does not include the \$9.5 million (2 percent of the \$475 million) set aside for bond administration costs.

LAO ANALYSIS AND RECOMMENDATIONS

The LAO provides the following thorough and insightful analysis of the Governor's proposal.

The largest portion of Proposition 1 funding remaining for the Legislature to appropriate consists of \$475 million for statewide obligations and agreements (from the section of the bond that dedicates funds for watershed protection and restoration). These funds are intended to help meet water-related commitments into which the state has entered. The bond explicitly identifies four such agreements for which the funding can be used—the Central Valley Project Improvement Act (CVPIA), the Salton Sea Restoration Act, the San Joaquin River Restoration Settlement Act, and the Tahoe Regional Planning Compact. In addition, Proposition 1 states that funding for statewide commitments can be used for a multiparty agreement that meets a number of specific characteristics, all of which the Klamath Hydroelectric Settlement Agreement meets. (Drafters of the bond indicate that the Klamath agreement was considered as a prime candidate for this funding. As such, we describe that agreement below.) The bond did not specify how much—if any—of this funding should be allocated to each commitment. Moreover, as noted in the descriptions below, the total cost to

fulfill all of these commitments greatly exceeds \$475 million. Proposition 1 left it to the Legislature to determine how best to allocate this funding amongst the five potential commitments.

- **CVPIA.** Enacted by Congress in 1992, the CVPIA included numerous changes for federal water operations in California. Among these was a commitment to provide a guaranteed annual water supply to 19 state, federal, and privately owned wildlife refuges in the Central Valley that serve as critical wetland habitat to numerous wildlife species. The federal government committed to providing the baseline amount of water needed by the wildlife (“Level 2”), and to paying 75 percent of the costs of providing the optimal amount of water needed (“Level 4”). The legislation included a commitment for California to contribute the remaining 25 percent towards the costs of providing Level 4 water supplies (which can be met through in-kind contributions such as staff support). Despite the more than two decades since enactment of the CVPIA, not all of the refuges have acquired permanent Level 4 water supplies. According to the U.S. Fish and Wildlife Service, government agencies struggle to acquire the additional water because “usually there are too few willing sellers, too little funding to buy their water, or both.” Additionally, some locations still lack the infrastructure needed to convey all the water mandated by CVPIA to the refuges. The administration states that because of accounting difficulties with the federal agencies involved, estimates are not available for the total cost of ensuring Level 4 water supplies, the state’s share of that cost, or the amount the state has contributed thus far.
- **Salton Sea Restoration Act.** In 2003, the Legislature ratified a collection of agreements—referred to as the Quantification Settlement Agreement (QSA)—that both reduced and reallocated the state’s share of Colorado River water. Because this agreement requires the transfer of water from primarily agricultural users in the Imperial Valley to other areas of Southern California, one result will be a reduction in the amount of agricultural runoff that historically has fed the Salton Sea—the state’s largest lake. Reducing this inflow is expected to dramatically shrink the lake (exposing toxic dry soils and damaging air quality) and increase its already high salinity levels (ruining the habitat for fish and migrating birds). As such, the state required that water continue to flow into the lake for several years so that a mitigation plan could be developed. The full transfers (and the corresponding decrease in runoff to the lake), however, are scheduled to begin phasing-in in 2017. As a component of the QSA, the state assumed responsibility for paying most of the costs to mitigate the air quality impacts resulting from the transfer. After many years of study and numerous proposals, in fall 2015 a task force convened by the Governor recommended steps for addressing the Salton Sea. These included an immediate short-term goal of undertaking 9,000 to 12,000 acres of habitat creation and dust suppression projects at the lake. The CNRA still is in the process of developing a long-term plan for managing

the lake, along with associated funding estimates and sources. (Earlier proposals for restoring the lake had associated costs of several billions of dollars.) An earlier bond measure, Proposition 84, provided \$47 million for initial restoration efforts and planning at the Salton Sea.

- **San Joaquin River Restoration Settlement Act.** In 2009, the federal government enacted legislation to implement a legal settlement stemming from a lawsuit over the negative impacts of dam construction. The legislation established a long-term effort to restore flows within the San Joaquin River (from Friant Dam to the confluence of Merced River) and to restore a self-sustaining Chinook salmon fishery in the river. While not a party to the lawsuit, the state formally committed to contribute at least \$200 million to this effort. (Under the settlement terms, the federal government and the Friant Water Users Authority will pay most of the project costs.) Project managers estimate the remaining cost of completing the long-term project to be between \$1.2 billion and \$1.7 billion. Thus far, the state has allocated about \$110 million from various bonds towards the river restoration.
- **Tahoe Regional Planning Compact.** In 1969, California and Nevada enacted a statutory agreement (later ratified by Congress) intended to improve the quality both of human development and the environment at Lake Tahoe. The agreement also establishes the bi-state Tahoe Regional Planning Agency to oversee development activities in the region. The agency has the regulatory authority to set and enforce environmental standards and land use policies for the Lake Tahoe Basin. In 1997, the two states, federal government, and stakeholders developed an Environmental Improvement Program to identify activities that will advance the objectives of the Compact. Reflecting the share of the lake located in each state, California generally is expected to contribute two-thirds of the two states' share of funding to implement the Compact and related activities, with Nevada contributing one-third. According to CNRA, over the last two decades California has contributed nearly \$700 million to help fulfill the Compact and the associated environmental program. A recent long-range plan developed by regional stakeholders set a funding target of \$920 million to support Compact-related projects over the next decade, and set California's share of that target at \$200 million. This target, however, does not represent a legally binding commitment.
- **Klamath Hydroelectric Settlement Agreement.** In 2010, numerous stakeholder groups including federal agencies, state agencies from California and Oregon, Indian tribes, counties, irrigators, and conservation and fishing groups signed two agreements—the Klamath Basin Restoration Agreement and Klamath Hydroelectric Settlement Agreement—to address long-standing disputes over water management and environmental conditions in the Klamath River Basin. (A third compact, the Upper Klamath Basin Comprehensive Agreement, was developed in 2014.) These agreements

include provisions to restore habitat for several species of threatened or endangered fish, as well as assurances for future water allocations to irrigators, tribes, and wildlife refuges within the river basin. A key component of the agreements is removal of four privately owned hydroelectric dams along the Klamath River (three in California and one in Oregon) that have affected downstream water quality and blocked the migratory path of salmon and other fish species. The state of California agreed to pay up to \$250 million towards the estimated \$450 million cost of removing the dams, with customers from the utility company that owns the dams contributing the other \$200 million. Over the past several years the company has collected nearly the full \$200 million from its utility ratepayers—about 90 percent of whom live in Oregon and 10 percent in California. The state has not yet appropriated any funding for the project. Several components of the agreements, however, expired in January 2016 when they failed to receive Congressional ratification. As such, how the overall approach to addressing issues in the Klamath River Basin will proceed and which components of the agreements ultimately will be implemented is now uncertain.

Dedicates Funding for Four Statewide Commitments. *The Governor proposes appropriating the full portion of funding for statewide obligations towards four of the five commitments mentioned in Proposition 1. This includes \$464.9 million in 2016–17, plus an additional \$150,000 each year for the next four years for the CVPIA. The remaining \$9.5 million - 2 percent of the \$475 million - is set aside for bond administration costs. The proposal would provide sufficient funding to fully meet the state’s agreed-upon contribution for the Klamath Hydroelectric Settlement Agreement, and likely would be enough to complete the planned dam removals. In contrast, the proposed amounts for the other three commitments are expected to fund just a portion of the state’s remaining obligations. (As discussed below, the total amount of the state’s obligation is not clearly defined for three of the five potential commitments.)*

In addition to this Proposition 1 funding, the Governor’s proposal includes \$638,000 for staff work on the Salton Sea restoration effort. This consists of: (1) \$300,000 from the General Fund for three existing staff from the DFW to conduct biological surveys and monitoring activities; (2) \$138,000 from the General Fund and one new position at the State Water Resources Control Board to support related workload, including convening and participating in meetings, workshops, and hearings; and (3) \$150,000 from Proposition 1 and \$50,000 from the General Fund to fund the Assistant Secretary of Salton Sea Policy at CNRA, who is helping to coordinate the state’s efforts in the region.

The Governor’s proposal would not allocate any funding from the Proposition 1 set-aside for statewide commitments towards implementing the Tahoe Regional Planning Compact—the only statewide commitment cited in the bond for which no funding is provided. The administration states this is because other funding sources are available to implement associated activities, including from other

portions of Proposition 1—specifically, \$15 million for the Tahoe Conservancy; \$2 million to the region for integrated regional water management planning; and eligibility for competitive watershed restoration grants overseen by DFW. Additionally, the administration notes that the state has invested nearly \$700 million to implement restoration activities related to the Compact and associated Environmental Improvement Program over the past two decades, and that other interested parties (including the state of Nevada and the federal government) must play a significant role in funding continued activities as well. The Governor's budget also includes a separate proposal to provide \$550,000 from the Lake Tahoe Science and Lake Improvement Account (plus an additional \$400,000 in reimbursement authority) to implement activities related to the Compact.

The administration states that it developed its overall plan for these funds based on an assessment of the amount needed to meet each obligation, past investments made by the state, and the availability of other funds. Additionally, the administration states that while it is requesting that the Legislature appropriate the full amount of funding in 2016–17, it may request to modify the proposed allocation plan over time based on updates to the status of the agreements, progress on the projects, or the availability of other funding.

Legislature Faces Trade-Offs in Deciding How to Fund Statewide Commitments. As discussed above, the administration has chosen to allocate funding for four of the five statewide obligations cited in Proposition 1. We find the rationale behind the Governor's choices to be sound. The proposed approach would address some urgent needs, advance projects the state has identified as priorities, and take other funding sources into account. We believe, however, that distributing the funds somewhat differently also would be reasonable. Additionally, significant uncertainties surrounding some of the commitments raise questions as to the specific level of obligations the state faces. The Legislature could modify (1) which commitments to fund and (2) how much funding to provide for each. We have identified three key considerations for evaluating the trade-offs associated with each commitment:

- **Urgency.** Some of the commitments carry more pressing implementation considerations than others. For example, absent remediation efforts, health conditions at the Salton Sea will rapidly deteriorate for both humans and wildlife beginning in 2017 when water transfers increase and runoff into the lake decreases. With regard to the Klamath River, parties have spent many years developing an agreement and laying the groundwork for dam removal. The administration believes a timely show of the state's continued commitment to the agreement is a vital step in sustaining this effort, and that delays might further derail the entire plan for the Klamath Basin (particularly after the broader package of agreements failed to receive Congressional ratification). In contrast, the other three commitments represent multiyear efforts that are already underway. Providing additional funding would help sustain or accelerate

implementation of these projects—which do have statewide importance—but does not seem to be an essential component of averting an impending crisis.

- **Responsibility and Funding.** *The role - and potential impact - of state funding in implementing the activities associated with each commitment varies. The state holds primary responsibility for implementing the activities associated with just one of the five commitments—Salton Sea restoration. In this case, state funding is essential for project implementation. For the other commitments, the state shares responsibility with other parties, and in two cases (CVPIA and San Joaquin River), the state has a relatively small role compared to federal agencies. As such, the potential impacts of state contributions are somewhat dependent upon the level of effort put forth by other parties. Moreover, the state should not bear more than its share of implementing agreed-upon activities. The relative benefits of funding a particular commitment should be weighed against both contributions made by other partners and potential alternative funding sources. For example, with regard to the Klamath agreement, the additional funding necessary to remove the dams has already been collected, meaning the state contribution could result in project completion. In contrast, the effects of state funding in implementing the CVPIA and the Tahoe Compact are less clear, given that total project scope and costs remain unclear or undefined. The administration believes providing state funding will help spur additional federal spending for CVPIA and the San Joaquin River. Additional state funding is available from other sources for the Tahoe Compact and potentially for the San Joaquin River (through the related conservancy).*
- **Major Uncertainties.** *Key information regarding three of the commitments included in the Governor’s proposal still is unknown, making evaluating and quantifying the potential impacts of providing the funding somewhat difficult. Specifically, the overall status of the Klamath River Basin agreements is extremely uncertain after Congress opted against ratifying them. Many questions remain about the efficacy and implications of implementing one portion of the agreements (dam removal) without commitments to fulfill the others (including restoration work and clarification of future water allocations). Additionally, as noted above, the state’s specific fiscal obligations for the Salton Sea, CVPIA, and Tahoe Compact are unspecified or unknown. As such, how far the Governor’s proposal would go towards satisfying the state’s obligations or fulfilling overall project objectives also is unclear.*

Allocate Funding Across Statewide Commitments Consistent With Legislative Priorities. *We recommend the Legislature allocate funding across the potential statewide obligations in a way it believes best meets statewide needs. Based on careful consideration of the trade-offs discussed above, this might involve modifying the Governor’s proposed approach. For example, if the Legislature is especially concerned about the urgency of addressing the rapidly deteriorating environmental conditions at the Salton Sea, it may opt to provide*

additional funding for those restoration efforts beyond what the Governor has proposed. As another example, if the Legislature has reservations about appropriating funding for removing dams on the Klamath River in light of the uncertainty surrounding other basin-wide agreements, it could set aside the \$250 million to potentially appropriate in the future when related commitments have been more clearly defined.

Require Administration to Submit Annual Summary Report on Proposition 1 Implementation. *We also recommend that the Legislature require the administration to submit an annual status update on Proposition 1 summarizing funded activities and outcomes. Specifically, we recommend this report include a summary of major activities, accomplishments, challenges, and outcomes, as well as appropriations and encumbrances. Outcome reporting should include a compilation of measurable performance data (such as the volume of water desalinated or acres of wetland preserved), and how actual outcomes compared with the intended outcomes that were identified in projects' grant applications. Adopting this recommendation likely would not require departments to collect any additional data; however, the administration would have to compile and summarize the available information.*

Such a report would provide a consolidated, single source of information on the implementation of Proposition 1, and the discussion of accomplishments and challenges would exceed what currently is included on the administration's website. We believe this type of report would both facilitate legislative oversight and help inform subsequent decisions for how best to implement future allocations of Proposition 1 funding. Moreover, such information could help shape potential future bonds or state programs by identifying lessons learned, as well as the programs and practices that were (and were not) successful at achieving desired outcomes.

STAFF COMMENTS

Concerns have been raised that not all program areas listed in the bond, specifically the Tahoe region, were funded in the final selection process. According to proponents of including funding for Lake Tahoe in the statewide allocation, the Governor's proposed budget "jeopardizes California's longstanding commitment to the Lake Tahoe Environmental Improvement Program (EIP)" and fails to "provide the state match required by the federal Lake Tahoe Restoration Act," legislation pending before Congress that would authorize \$415 million for the federal share of EIP funding.

The EIP is a collaborative interagency effort, launched in 1997, to protect and restore the natural and recreational resources of the Tahoe basin. For nearly two decades, a partnership of federal, state, local, and private interests has worked together to jointly prioritize and invest in EIP projects to improve the lake's famed clarity, restore the health of its forests, and maintain its world-class recreation areas.

Since 1997, collectively, \$1.8 billion has been invested in the Lake Tahoe EIP:

- \$593 million from the federal government;
- \$693 million from the state of California;
- \$118 million from the state of Nevada;
- \$77 million from local governments; and
- \$328 million from the private sector.

More than 450 projects have been completed and 100 more projects are currently being implemented by EIP partners. Through these public and private investments, the EIP has become one of the nation's most successful interagency restoration efforts. Lake Tahoe's clarity has largely stabilized after decades of decline; the basin's state highways and local roads now capture and treat polluted runoff and support a growing bike and mass transit network; the forests surrounding nearly two thirds of the basin's urbanized areas have been treated to protect local communities; public access to the lake has improved dramatically; and disadvantaged communities in the South Shore and Kings Beach are being transformed and revitalized through sustainable, bike and pedestrian-oriented projects.

Despite these investments, there remain additional projects that need completion. Among the highest of these is the scientifically-supported 592 acre restoration of the Truckee River Marsh, which involves lands owned by the Tahoe Conservancy and State Parks, among others. This restoration project, which is only in the planning stage, will be one of the largest Stream Environment Zone (SEZ) restoration projects undertaken at Lake Tahoe because the Upper Truckee River watershed is the largest contributor of sediment to the lake.

Governor's Proposal. According to the Administration, one of the factors taken into consideration in determining the amount to invest in each area was the amount of funding that has previously been invested in each area. The obligations that have received the least amount of previous funding are receiving a larger portion of the proposed investments. While the Governor's proposed budget does not include money from the Proposition 1 Statewide Obligation pot for Lake Tahoe, it does allocate \$15 million (Proposition 1) to the California Tahoe Conservancy and \$2 million (Proposition 1) to the region for integrated regional water management planning. Lake Tahoe is also eligible for Proposition 1 competitive watershed restoration grants overseen by the Department of Fish and Wildlife (DFW).

According to the Administration, while Tahoe continues to be a priority, the Governor's proposed allocation of the state obligations pot would allow progress to be made on other state obligations where no other (or very limited) resources are available. Further, the Administration maintains that it has a proven track record of finding matching funds and would most likely be able to find matches if Congress indeed passes the Lake Tahoe Restoration Act.

The amount needed to completely fund all of five agreements specified in Proposition 1 far exceeds the amount allocated in the bond. Staff agrees with the LAO that the rationale behind the Governor's choices for allocation of this pot make sense. The approach addresses urgent needs, advance projects the state has identified as priorities, and takes into account other funding sources. Staff also supports LAO's recommendation to require the Administration to submit an annual summary report on Proposition 1 implementation.

California has contributed significant resources to Lake Tahoe, some \$693.4 million, an amount greater than its two-thirds share of the Lake. Given this contribution and that other resources are potentially available to support Compact-related projects over the next decade, including Proposition 1, Cap and Trade revenues, and potential parks bond, it seems reasonable for the state to invest in other less served areas where the state has obligations.

Staff Recommendation: Approve as Budgeted. Require the Administration to submit an annual summary report to the Legislature on Proposition 1 implementation.

3940 STATE WATER RESOURCES CONTROL BOARD

ISSUE 2: ACCESS TO SAFE DRINKING WATER

According to the SWRCB, 98 percent of Californians served by public water systems receive drinking water that meets federal and state drinking water standards. The remaining 2 percent are served by much smaller public systems that struggle to provide safe and affordable drinking water due to a litany of obstacles, including lack of technical, managerial and financial resources.

The focus of this hearing is to hear from the SWRCB and stakeholders about efforts being made to effectively support and provide resources to the water systems that serve the 2 percent of consumers who do not receive safe drinking water.

On June 15, 2015, the SWRCB adopted its own Safe Drinking Water Plan for California, after assuming responsibility for enforcing safe drinking water standards from the Department of Public Health. The new Plan emphasizes improving drinking water for disadvantaged communities that suffer poor drinking water quality. The Plan touches on safe drinking water in schools, which has been the subject of legislation in recent years. The Subcommittee may wish to engage with the SWRCB and stakeholders on the following issues:

- In the past three budget cycles, the Legislature and Governor have approved approximately \$279.8 million for emergency improvements to drinking water systems, emergency drinking water and improving drinking water infrastructure. However, only five percent of this money has been dispersed so far. Please explain why it is taking so long to get the money out the door and what can be done to expedite this process.
- How are expenditures of these funds being prioritized?
- How are you outreaching to and assisting disadvantaged communities in applying for these funds? Is there adequate technical assistance funding available for this purpose?
- Are the gaps in funding?
- Currently, there is no requirement to test drinking water, for lead or any other contaminants, at school sites. Concerns have been raised about unsafe drinking water at schools. What data is available to validate or invalidate this claim?
- How does state policy differ with regard to providing drinking water assistance to renters vs home-owners, and to privately owned individual wells vs wells that are part of a larger system? Are there service gaps for certain types of residences/residents that might need legislation to address?

- What is the scope of the state's responsibility with regard to ensuring residences with private wells have safe and clean drinking water?
- What role does the federal government play in ensuring safe drinking water? How much federal funding does the state receive annually for this purpose?

BACKGROUND

Based on 2015 violations, the SWRCB reports that approximately 765,000 Californians were served water that did not meet a primary drinking water standard by 207 public water systems in 38 counties. It should be noted that this universe of violations does not reflect the drinking water quality of residents served by private domestic wells or small water systems with fewer than 15 service connections, as they are not regulated by the SWRCB.

Of this total, there are approximately 45,000 people in disadvantaged and severely disadvantaged communities being served by 139 small public water systems that are in violation of one or more primary maximum contaminant levels (MCL). These contaminants include the following:

- Arsenic – 85 public water systems
- Hexavalent Chromium – 30 public water systems
- Disinfection By-Products – 27 public water systems
- Nitrate – 26 public water systems
- Combined Uranium – 15 public water systems
- Surface Water Treatment – 7 public water systems
- Nitrate-Nitrite – 7 public water systems
- Fluoride – 5 public water systems
- Gross Alpha Particle Activity – 1 public water system
- 1,2-DIBROMO-3-CHLOROPROPANE – 1 public water system
- Cadmium – 1 public water system

AB 685 (Eng), Chapter 524, Statutes of 2012, established the human right to safe, clean, affordable, and accessible water for human consumption, cooking, and sanitary purposes. On February 16, 2016, the SWRCB passed a Resolution proclaiming that the Human right to water is a core value and one of the SWRCB's top priorities. The SWRCB states that it plans to develop performance measures to show progress towards implementation of AB 685.

FUNDING. Proposition 1, the voter-approved Water Quality, Supply, and Infrastructure Improvement Act of 2014, allocates \$241.8 million in local assistance for drinking water grants and loans for public water system infrastructure improvements and related actions to meet safe drinking water standards, ensure affordable drinking water, or both. The SWRCB adopted guidelines in August 2015 enabling these funds to be administered consistent with the Drinking Water State Revolving Fund (DWSRF) Intended Use Plan (DWSRF IUP) and the DWSRF Policy. Administering these new

bond funds as a part of the DWSRF Program allows grant funds to be leveraged with low-interest financing available through the DWSRF Program. DWSRF applications are accepted on a continuous basis, and eligible projects are funded as applications are completed and approved.

In March 2015, the Legislature and the Governor approved a \$1 billion emergency drought relief package in AB 91 (Committee on Budget), Chapter 1, Statutes of 2015. As a result of this action and the appropriation authorized in SB 103 (Committee on Budget and Fiscal Review), Chapter 2, Statutes of 2014, the SWRCB approved a total of \$23 million in funding to meet interim emergency drinking water needs for those communities with a contaminated water supply or those suffer drought related water outages or threatened emergencies. Projects have included new wells, emergency interties, consolidations, tanks, hauled water, and bottled water. In an effort to reach individuals and small systems not served through other funding programs, the SWRCB approved \$5 million of the funds to augment programs administered by non-profits to assist disadvantaged individuals and small water systems.

SB 103 also appropriated \$15 million to the Department of Public Health for public water systems to address drought-related drinking water emergencies or threatened emergencies. This funding, which is available until June 30, 2016, was transferred to the Water Board with the transfer of the Drinking Water Program from the Department of Public Health to the SWRCB, as authorized by SB 861 (Committee on Budget and Fiscal Review), Chapter 35, Statutes of 2014.

**State Drought Appropriations to the SWRCB for Drinking Water
Budget Acts 2013-14, 2014-15, & 2015-16
(Dollars in Millions)**

Funding	Activity	Local Asst.	Apps Received	# Projects Funded	Dollars Awarded	Dollars Disbursed
Prop 1	Improve drinking water infrastructure	\$241,800,000	42	8	\$11,979,613	\$16,909
General Fund	Make emergency improvements to drinking water systems	\$15,000,000	85	81	\$15,000,000	\$11,745,130
Clean up & Abatement Account	Provide emergency drinking water	\$23,000,000	70	50	\$9,269,810	\$1,762,449
Total		\$279,800,000	197	139	\$36,249,423	\$13,524,488

The SWRCB is coordinating with the Regional Water Quality Control Boards, the SWRCB's Division of Drinking Water (DDW) district offices, the Office of Emergency Services, the Department of Water Resources, and other stakeholders, including environmental justice and community assistance groups, to identify those communities that are most at risk and require financial assistance.

2016-17 Governor's Budget Request. The Subcommittee approved the Governor's Budget requests to continue drought efforts and to provide interim emergency drinking water for drought related activities at its March 16, 2016 hearing. The Division of Financial Assistance portion of this request for State Water Quality Control Fund, Clean up and Abatement Account (CAA) funds is: \$15 million for local assistance (i.e. grants) and \$1.0 million for state operations/program delivery support.

Technical Assistance for Small Disadvantaged Communities. Proposition 1 also requires the SWRCB to operate a multidisciplinary Technical Assistance (TA) program for small disadvantaged communities.

The Office of Sustainable Water Solutions (Office) was established on March 27, 2015, per AB 92 (Committee on Budget), Chapter 2, Statutes of 2015. The Office is part of the SWRCB's Division of Financial Assistance (Division) and was created to promote permanent and sustainable solutions to help ensure effective and efficient provision of safe, affordable, and reliable drinking water and wastewater treatment services. The Office is focused on addressing both financial assistance and TA needs, with a focus on Small Disadvantaged Communities (DACs). The Office provides direct assistance to potential funding applicants, as well as contracting and coordination with external TA providers.

Using primarily set-aside and administrative funds associated with the Drinking Water State Revolving Fund (DWSRF) and the Clean Water State Revolving Fund (CWSRF), the Office currently contracts with several non-profit TA providers to address a variety of needs, including assistance with funding applications, budgets, financial management, and rate setting, as well as compliance audits and troubleshooting to improve operations. This Proposition 1 TA Funding Program is intended to expand upon these services and help address additional needs of Small DACs.

The SWRCB's Prop 1 TA Funding Plan, adopted on November 4, 2015, outlines the general process to administer Prop 1 TA funds. The Office is using a multidisciplinary approach, intended to address Small DACs drinking water, wastewater, groundwater quality, and storm water needs under one program. The most immediate priority of the program will be formulating solutions to address the critical needs of Small DACs that do not have safe, reliable, and affordable drinking water.

Staff Recommendation: Information Item

ISSUE 3: FEDERALLY REQUIRED WORKLOAD IN DIVISION OF DRINKING WATER (SFL)

The Governor's Spring Finance Letter requests 10 positions and \$1.4 million (Safe Drinking Water Account (SDWA)) to increase compliance with United States Environmental Protection Agency (US EPA) federal requirements related to drinking water, for which the Division of Drinking Water (DDW) is responsible. Specifically, the State Water Board requests 10 positions in the Northern and Southern California Field Operations Branches. The DDW has a significant backlog in federally mandated water system inspections (i.e., sanitary surveys), including small water systems in severely disadvantaged communities. These positions will increase the number of federally required sanitary surveys completed annually.

The workload funded by this request includes: (1) issuing full domestic water supply permits to new public water systems and amending existing permits for all new sources, treatment facilities and storage tanks over 100,000 gallons in size; (2) inspection of water systems (sanitary surveys) within federally mandated timelines; (3) the enforcement of laws and regulations to assure that all public water systems routinely monitor water quality and meet current standards; and (4) assuring notification is provided to consumers when standards are not being met. The DDW and local county health departments regulate over 7,500 public water systems across the State.

BACKGROUND

The State Board, as the federally designated primacy agency for the drinking water regulatory program in California, is responsible for the implementation of the federal Safe Drinking Water Act (SDWA). Part of the SDWA required workload involves water system inspections (sanitary surveys). As of December 2015, the State Board determined that there were over 977 backlogged sanitary surveys of public water systems. The State Board notes that the US EPA has communicated a number of concerns with the DDW backlog, including a failure to meet federal requirements for 1) onsite review of water systems and operations and maintenance capability, also known as sanitary surveys, and 2) incomplete quarterly reporting of required public water system compliance information. Given this failure to meet federal requirements, the State Board could be subject to US EPA sanctions, including potentially a delay in receiving federal funds needed to improve the state's drinking water compliance.

Additionally, there are currently 139 small public water systems serving a population of approximately 45,000 people in disadvantaged and severely disadvantaged communities that are in violation of one or more primary maximum contaminant levels (MCL).

In addition, the numbers of deficiencies identified in surveys have increased due to the numbers of systems with violations of drinking water standards which requires additional staff time to address. Failure to meet drinking water standards requires the issuance of enforcement actions that require specific plans and time schedules to solve the problem; public notifications to inform system customers of the problem and steps

needed to minimize exposure; staff assistance to evaluate proposed alternative solutions; and the issuance of new permits for the needed infrastructure to solve the problem. Based on data currently available from the SDWIS database, the DDW has been unable to achieve the federally required frequencies of sanitary surveys over the past six years.

STAFF COMMENTS

On January 29, 2016, the US EPA submitted a letter to the Drinking Water Division Director stating that a number of programmatic requirements were not being fulfilled in a timely and appropriate manner. An excerpt from the letter follows:

"For the period 2012-15, California remains below the national average, below all primacy agencies within Region 9, and below the average of states in eight other EPA Regions, for the percentage of community water system surveys completed."

Continued failure to meet the federally required frequencies of sanitary surveys could result in a Corrective Action Plan letter requiring California to address the problem within a specified timeframe. A similar type letter was sent in regard to the Drinking Water State Revolving Fund Program in 2014 to address unliquidated obligation issues. The SWRCB is still responding on a quarterly basis to the additional federally imposed requirements contained in that letter.

The additional staffing proposed in this request will provide the DDW with resources necessary to improve regulatory oversight of California's public water systems, including those that currently do not meet federal and state water quality minimum standards. In particular, these resources will improve the ability of the DDW to meet federal requirements related to conducting sanitary surveys for all sizes of water systems.

Staff notes that this proposal does not provide staff resources for another federal requirement failure highlighted in the letter from US EPA: "incomplete quarterly reporting of required public water system compliance information." The Subcommittee may wish to ask the SWRCB what resources it would take to be meet this federal requirement. Further, the Subcommittee may wish to consider asking whether the SWRCB has received any additional guidance since the January letter from US EPA this year related to federal drinking water standards.

Staff Recommendation: Approve Spring Finance Letter

ISSUE 4: PROPOSITION 1 – WATER RECYCLING (SFL)

The Governor's Spring Finance Letter requests \$322 million in Proposition 1 (the 2014 Water Bond) budget authority. This request includes \$320.3 million in Local Assistance to fund Water Recycling projects and \$1.6 million Proposition 1 in State Operations for 12 permanent positions to administer the programs authorized under Proposition 1. These include ecosystems and watershed protection and restoration projects, water supply infrastructure projects, including surface and groundwater storage, and drinking water protection efforts. Additionally, the proposal requests the new appropriation be available for encumbrance until June 30, 2019, and liquidation until June 30, 2021.

BACKGROUND

Proposition 1 included \$625 million to support water recycling projects. The 2015-16 Budget appropriated \$261 million of this funding. The SWRCB finalized its Proposition 1 funding guidelines in June 2015. Due to successful outreach efforts and high demand for this funding, the SWRCB has almost depleted this appropriation. The Governor's Spring Finance Letter proposes to appropriate the remainder of the Proposition 1 funding for local recycled water projects to meet this demand.

The proposal also contains a request for 12 positions to address the new anticipated workload for the Safe Drinking Water, Stormwater, and Groundwater Contamination sections of Proposition 1. A detailed workload analysis was provided to staff in support of this proposal.

STAFF COMMENTS

Water recycling projects offset demand for state fresh water supplies. Recycled water is a locally controlled, sustainable source of water. As such, recycled water has become a significant component of many community water supply plans. Appropriating these funds and staff allocations will help address the backlog of applications for funding and avoid any funding delays for these important projects.

Staff Recommendation: Approve Spring Finance Letter

ISSUE 5: LEVIATHAN MINE SETTLEMENT AGREEMENT (SFL)

The Governor's Spring Finance Letter requests \$211,000 ongoing General Fund and 1.9 permanent positions to support workload needed to implement and oversee provisions set forth in the "Leviathan Mine Site Work and Cost Allocation Settlement Agreement" between Atlantic Richfield Company and State Parties, including the Lahontan Water Board. Funded work would include review of Remedial Investigation and Feasibility Study work plans and reports prepared for the Leviathan Mine Superfund Site pursuant to the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) and participating in the Natural Resource Damage Assessment (NRDA) regarding releases from Leviathan Mine site.

BACKGROUND

Sulfur mining activities at Leviathan Mine, conducted primarily in the 1950s and 1960s, resulted in the disturbance of approximately 250 acres of mine property, and the placement of millions of tons of mine waste in and adjacent to Leviathan and Aspen creeks. These mining activities led to the generation of acidic mine drainage that adversely affects aquatic life for miles downstream of the former mine site and may pose a risk to human health. The State of California acquired the Leviathan Mine Site (hereinafter referred to as "the Site"), in the early 1980s to address water quality problems caused by mining activities. Jurisdiction over the Site rests with the State Water Resources Control Board, which has delegated jurisdiction over cleanup work to the Lahontan Water Board.

In May 2000, the USEPA placed Leviathan Mine on the National Priorities List, making it a federal Superfund Site. As the manager of the Site for the State, USEPA identifies the Lahontan Water Board as a Potentially Responsible Party for cleanup of the Leviathan Mine Superfund Site. Atlantic Richfield Company (AR) is also named as a Potentially Responsible Party due to its inheritance of environmental liabilities from the Anaconda Company, which AR purchased and which had performed mining activities at the Site. The USEPA has required the Lahontan Water Board to conduct certain cleanup activities, including annual treatment of certain acidic mine drainages at the Site. AR is similarly under orders from the USEPA to treat certain acidic drainages and, also, to conduct Remedial Investigation and Feasibility Study activities for the Site pursuant to CERCLA.

STAFF COMMENTS

The Leviathan Mine is a pollution source owned by the State of California. Restoring the environment impacted by the Leviathan Mine is important for the damaged ecosystems and will positively affect tourism and recreation, which is essential to the long-term prosperity of many businesses in the area. The remedy for Leviathan Mine will restore the quality of water used by Washoe Tribe members (a disadvantaged

community), and improve opportunities for both recreational and agricultural uses downstream of the Site.

Further, the USEPA will continue to require the Lahontan Water Board, through existing USEPA orders, to conduct ongoing pollution abatement (including the treatment of acidic mine drainage and maintenance of site infrastructure) and monitoring activities at Leviathan Mine until a final remedy is fully implemented under CERCLA. Therefore, continued funding at the current level is needed to address those ongoing activities.

Staff Recommendation: Approve as Budgeted

3810 SANTA MONICA MOUNTAINS CONSERVANCY
3825 SAN GABRIEL RIVERS AND MOUNTAINS CONSERVANCY
0540 NATURAL RESOURCES AGENCY

ISSUE 6: PROPOSITION 1 – LOS ANGELES RIVER RESTORATION

The Governor's Budget and Spring Finance Letter proposes \$11 million (Proposition 1) to the Santa Monica Mountains Conservancy (SMMC) and \$12.25 million (Proposition 1) to the Rivers and Mountains Conservancy (RMC) for Los Angeles River restoration. This funding comes out of the \$100 million allocated in Proposition 1 for “urban creeks,” which state law defines as the Los Angeles and the San Gabriel Rivers.

BACKGROUND

Since the 1930's, the Los Angeles River (LA River) has been managed as a concrete-lined flood control channel, constructed by the U.S. Army Corps of Engineers and operated by its local partner, the County of Los Angeles.

The Upper River. Twenty years ago, the County of Los Angeles adopted a Master Plan for restoring the Los Angeles River (River). In 2005-07, the City of Los Angeles developed a “revitalization plan” for the “Upper River,” the part of the LA River lying within its city limits. The U.S. Army Corps of Engineers, which built the flood channels and oversees the County's River management, recently approved “Alternative 20” for restoring the Upper River. The City of Los Angeles now seeks funding from a broad range of sources to pay for Alternative 20 restoration.

The Lower River. The lower half of the River and its tributaries pass through more than 15 smaller cities. Those cities lack the financial resources to develop plans to restore the River. Last year, however, the Governor signed AB 530 (Rendon) creating a Working Group to develop a Lower River “revitalization plan,” as the City of Los Angeles adopted in 2007. Secretary Laird recently announced the appointment of the Working Group. The County Department of Public Works has agreed to convene and staff technical and stakeholder groups to support the Working Group's effort.

Time Extension for Lower River. AB 530 requires the Working Group to complete the plan by March 2017. Stakeholders and the County have requested an extension of time for completion of the Lower River revitalization plan to February 2018.

Stormwater. While River restoration enjoys growing interest, stormwater management remains the central issue for the River. In 2013, the U.S. Supreme Court decided, in LA County v. NRDC, that the County could not be held liable for the fact that stormwater in the River does not meet water quality standards, suggesting that cities whose stormwater drains dump into the River may have responsibility. That same year, the Los Angeles Regional Water Quality Control Board adopted a landmark new stormwater plan/regulation, requiring the County and the cities to develop watershed plans to

reduce stormwater pollution. Enforcement of that plan may start in 2017. Local governments with responsibility for stormwater management have estimated costs in the hundreds of millions, if not billions, of dollars. Addressing stormwater management will be integral to River restoration efforts.

The Conservancies. State law created the SMMC in 1980 and the RMC in 1999. The SMMC takes responsibility for the Upper River, in the City of Los Angeles, while the RMC's jurisdiction includes the Lower River, downstream to the Long Beach Harbor. AB 530 requires the RMC to staff the Lower River Working Group. Both have contributed funding to the work of world-renowned architect Frank Gehry, who is developing plans for river restoration that will contribute to the Working Group effort.

Proposition 1. Proposition 1 included \$100 million for projects to protect and enhance the Los Angeles River. Proposition 1 states that this funding must be spent pursuant to plans adopted by the Santa Monica Mountains Conservancy and the San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy. The bond, however, does not specify how funds should be allocated between the two conservancies, leaving this decision to the Legislature. (This funding is in addition to the \$30 million each of the two conservancies will receive from the section of Proposition 1 that provides funding to all of the state's ten conservancies.)

Last Year's Budget. The 2015-16 State Budget included \$25 million from previous bond allocations for acquisition of a former railyard to become park land along the River adjacent to Rio de Los Angeles State Park near Glendale. This project arises out of the Alternative 20 plan for the City of Los Angeles. The Natural Resources Agency website shows the allocation between the two conservancies as \$50 million each. Last year's budget did not appropriate any money out of this fund for the River.

LAO COMMENTS AND RECOMMENDATION
--

The LAO analyzed the budget proposal for Los Angeles River Restoration and made these observations and recommendations:

Governor's Overall Funding Plan for Los Angeles River Lacks Some Detail. *The Legislature faces both budget-year and out-year decisions regarding how to approach another section of remaining Proposition 1 funding—\$100 million for Los Angeles River restoration projects. While the Governor's budget includes a proposal for 2016–17, key details regarding how he proposes to allocate funds in future years remain unclear. The Governor's multiyear "rollout plan" would provide roughly \$19 million for Los Angeles River projects in each of the next four years (beginning in 2017–18). However, it does not specify how it would apportion funds between the two conservancies. This lack of clarity over intended funding amounts and timing prohibits the conservancies from developing longer-term approaches for their restoration efforts.*

Develop Multiyear Plan for Funding Los Angeles River Restoration That Reflects Legislative Priorities. We recommend the Legislature develop a multiyear plan for allocating funding for Los Angeles River restoration efforts that specifies how much it plans to appropriate each year to each of the two conservancies involved. This would enable the conservancies to develop longer-term strategies for implementing their restoration activities. As a component of its plan, the Legislature could consider providing more—or less—total funding for restoration projects in 2016–17, and/or also providing some funding in the budget year for the San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy for projects on the lower portion of the river.

STAFF COMMENTS

Staff agrees with the LAO that the lack of clarity over how the \$100 million for Los Angeles River restoration projects should be split between the two conservancies is problematic. The Subcommittee may wish to consider trailer bill language that specifies an equal allocation between the two conservancies.

Staff Recommendation: Hold Open

3210 ENVIRONMENTAL PROTECTION PROGRAM

ISSUE 7: ENVIRONMENTAL LICENSE PLATE FUND (ELPF)

The Governor's Budget proposes several changes to address the shortfalls in the ELPF, as summarized below. These include both shifting certain costs to other state funds, as well as increasing the personalized plate fee by about 5 percent. The administration projects these changes will result in \$12.5 million in savings in 2016–17 and \$12 million in ongoing savings after 2016–17.

Governor's Proposal to Address the ELPF Shortfall

(In Thousands)

Action	Estimated Savings	
	2016–17	Ongoing
Shift funding for TRPA to GF	\$3,998	\$3,998
Shift DPR expenditures to SPRF	3,000	3,000
Shift second year funding for Climate Assessment to GF	2,500	—
Implement CESA permit fee and shift DFW costs to FGPF	1,500	2,500
Increase plate fee by 5 percent	1,500	2,500
Total Savings	\$12,498	\$11,998

ELPF = Environmental License Plate Fund; TRPA = Tahoe Regional Planning Agency; GF = General Fund; DPR = Department of Parks and Recreation; SPRF = State Parks and Recreation Fund; CESA = California Endangered Species Act; DFW = Department of Fish and Wildlife; and FGPF = Fish and Game Preservation Fund.

LAO ANALYSIS AND RECOMMENDATIONS

The LAO provided the following comprehensive analysis on the Governor's proposal.

Background. *The ELPF was established in 1979 to fund various resources and environmental protection programs. The fund is primarily supported from the sale and renewal of personalized motor vehicle license plates, as well as a portion of fees on the sale and renewal of certain specialty plates (such as "Whale Tail" plates). Roughly 800,000 personalized license plates are issued or renewed annually. Existing state law restricts the use of ELPF monies to program administration and the following purposes:*

- *Control and abatement of air pollution.*
- *Acquisition, preservation, and restoration of natural areas or ecological reserves.*

- *Purchase of real property for park purposes.*
- *Environmental education.*
- *Protection of nongame species and threatened and endangered plants and animals.*
- *Protection, enhancement, and restoration of fish and wildlife habitat, and related water quality.*
- *Reduction of the effects of soil erosion and the discharge of sediment into the waters of the Lake Tahoe region.*
- *Scientific research on the impacts of climate change on California's natural resources and communities.*

The state spent \$41.5 million from the ELPF in 2014–15. The fund currently supports activities in more than 20 state departments, boards, conservancies, and commissions.

Higher Ongoing Spending and Slow Growth in Revenues Resulted in a Structural Deficit. *In each of the past couple years, the administration has identified a structural deficit in the ELPF. Based on our review of recent ELPF expenditures and revenues, we estimate that the fund has an underlying structural deficit of about \$9 million annually. This deficit is primarily caused by (1) slower-than-expected growth in revenues from the sales of personalized license plates since the early 2000s (and even some declines in more recent years) and (2) increases in expenditures over the past couple years due to rising employee compensation and administrative costs.*

Most Savings Achieved Through Fund Shifts. *The budget proposes to reduce expenditures from the fund by \$11 million in 2016–17 and \$9.5 million ongoing by shifting support for several programs to other funding sources. The proposal includes the following fund shifts: (1) shifting funding for the Tahoe Regional Planning Agency from ELPF to the General Fund, (2) shifting \$3 million in funding for the Department of Parks and Recreation (DPR) to the State Parks and Recreation Fund (SPRF), (3) funding the second year of the 4th Climate Assessment with General Fund instead of ELPF, and (4) shifting funding for some DFW permitting activities to the Fish and Game Preservation Fund (FGPF).*

New Fee Proposed to Offset Increased Costs to the FGPF. *The administration proposes implementing a new fee to cover some of the costs associated with processing California Endangered Species Act (CESA) incidental take permits. These permits are required for projects that might result in the “take”—generally, the killing or harm—of an endangered or threatened species, and are processed by DFW. The fee would offset some of the costs associated with processing these permits. Fee revenue would be deposited in the FGPF, and ELPF support for DFW would be reduced by a commensurate amount.*

Governor's Proposal Offers One Reasonable Option to Address Shortfall.

The proposal provides a reasonable approach to addressing the deficit without reducing funding for supported programs. Yet, the specific package of changes proposed has trade-offs. For example, while shifting DPR support from ELPF to SPRF creates savings in the ELPF, it worsens the existing structural deficit in SPRF. (The budget also includes a one-time shift of \$31 million in motor vehicle fuel tax revenue that would otherwise go to the Off-Highway Vehicle Trust Fund to SPRF to address that fund's deficit in 2016–17.) The proposal also results in higher costs to the General Fund, buyers of personalized license plates, and entities doing projects that require a CESA incidental take permit.

. . . **But There Are Other Alternatives Available.** The Legislature has several choices regarding how to address the ELPF shortfall. First, the Legislature could reduce funding for any of the programs currently supported by ELPF. Second, the Legislature could increase the plate fee beyond the level proposed by the Governor, or could index the fee for inflation in order to better ensure that revenue keeps pace with growth in employee compensation and administrative costs. However, this option increases costs for the buyers of personalized plates even more than the administration's proposal does, and, if the fee is increased significantly, could result in fewer plate sales.

Third, the Legislature could shift programs other than those proposed by the Governor to other funds. As shown in Figure 16, several programs funded by ELPF were once supported by another funding source—usually the General Fund. Other new programs were also added since 2002. The Legislature could shift some of these programs to the General Fund depending on its other budgetary priorities and if it has higher priorities for the ELPF

There also could be alternative special funds available for a couple activities. For example, it might be possible to fund some activities within the California Environmental Protection Agency or CalFire with special funds. However, other special funds have competing demands, and shifting program support to these funds could impact their ability to support other activities. Additionally, the Legislature will want to ensure that any activities shifted are appropriate for the alternative funding source.

Understanding Trade-Offs Key to Choosing an ELPF Funding Package. As it considers an ELPF funding package, the Legislature could substitute any of the alternative options we identify in place of ones in the administration's proposal.

As described above, each of the options available to the Legislature comes with trade-offs, in many cases regarding who—personalized plate purchasers, general taxpayers, or fee payers into other funds, for example—will bear the associated costs. Implicitly, in choosing a funding package, the Legislature will be making choices about who will bear those costs.

We also note that the additional options we identify could be utilized to generate additional savings above those identified by the Governor. These additional

savings could then be directed to new activities or programs of high priority. Alternatively, the Legislature could choose to enact a package that results in lower savings than proposed by the Governor. We note, for example, that the Governor's proposal is projected to result in \$12 million in ongoing savings—\$3 million more than the current structural deficit. Savings of this amount could result in an increasing fund balance in the longer term. However, the Legislature could also choose a somewhat higher level of spending compared to the Governor, rather than continue to build the fund balance. While this option increases funding available for environmental activities, reducing the out-year savings level could contribute to shortfalls in the future to the extent that revenues declined or expenditures increased significantly.

LAO Recommendations

Adopt Funding Package Based on Legislative Priorities. We find that the Governor provides a reasonable approach, but it is just one option to address the deficit. There are others—as we discussed above—that could be considered. Each option, however, has trade-offs. We recommend that the Legislature choose a package of savings that is most consistent with its priorities, which requires policy decisions about where the Legislature wants certain costs to be borne and the support levels for various programs. To the extent that the Legislature is interested in shifting some activities to other special funds to achieve savings, we recommend requiring the administration to provide more specific information at budget hearings on ELPF-supported environmental protection and forestry activities in order to determine if other fund sources are appropriate.

Prioritize Expenditures for Potential Shortfalls in Future. We also recommend that the Legislature reevaluate ongoing spending priorities for the ELPF in statute to ensure the best use of this limited fund. There are several options available. For example, uses of the fund could be placed in preference-based order in statute so that the Legislature's highest priorities are clear. This could involve creating "funding buckets" that receive revenue in a specified order as money is available, so that the highest priorities are protected from shortfalls and lower priorities are funded only when additional revenues are available. The Legislature could also narrow the statutory uses of the ELPF to more specific goals or programs and eliminate from statute those uses deemed no longer of high priority.

STAFF COMMENTS

For both the 2013/14 and 2014/15 fiscal years revenues in the ELPF did not meet budgeted projections by as much \$3 million dollars and the shortfall is projected to continue into the 2015/16 fiscal year. This shortfall required adjustments in 2014/15 and 2015/16 to assure that vital ELPF funded programs continue. The Administration has developed this proposed long term plan to balance the fund that includes fund shifts and fee increases that maintains funding for important environmental programs.

Staff agrees with the LAO that this proposal provides a reasonable approach to address the ELPF's critical shortfall.

Staff Recommendation: Approve as Budgeted

3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION**ISSUE 8: INCREASED PIPELINE SAFETY WORKLOAD (SFL)**

The Governor's Spring Finance Letter requests a \$1.1 million spending authority increase to the California Hazardous Liquid Pipeline Safety Fund (CHLPSF) and 17 positions to support the Office of the State Fire Marshal Pipeline Safety Division. The proposal would provide staffing to develop, implement, and oversee new requirements related to SB 295 (Jackson), Chapter 607, Statutes of 2015 and AB 864 (Williams), Chapter 592, Statutes of 2015.

Specifically, the new positions will enable the Division to increase the inspection interval of every intrastate hazardous liquid pipeline, as mandated by SB 295. In addition, these staff will research best available leak detection and automatic shutoff technologies for pipelines, review pipeline operators risk assessments, verify hazardous liquid pipelines near ecologically and environmentally sensitive areas of the coast, and manage leak detection and automatic shutoff technologies as required by AB 864.

While the basic platform for inspections already exists within the CAL FIRE Office of the State Fire Marshal (OSFM) Pipeline Safety Division, implementation of SB 295 and SB 864 will require the development of new regulations, as well as the equipping and training of new staff necessary to carry out the increased inspection workload.

BACKGROUND

Federal pipeline safety statutes allow states to assume safety authority over the intrastate hazardous liquid pipeline through certifications and agreements with United States Department of Transportation (USDOT) and Pipeline Hazardous Materials Safety Administration (PHMSA). In 1981, the California Legislature established the Hazardous Liquid Pipeline Safety Act with the intent that the OSFM shall exercise exclusive safety regulatory and enforcement authority over intrastate hazardous liquid pipeline, which is pipeline that is located entirely within state borders, including offshore state waters. The USDOT PHMSA has exclusive federal authority over interstate pipeline, which is pipeline that crosses state borders or begins in federal waters.

The OSFM currently regulates the safety of approximately 6,500 miles of intrastate hazardous liquid pipeline which includes 2,000 miles of "out-of-service" pipeline through the certification from PHMSA. The OSFM assumes inspection and enforcement responsibility with respect to intrastate facilities over which it has jurisdiction under state law. With certification, the OSFM may adopt additional or more stringent standards for intrastate pipeline facilities provided such standards are compatible with federal regulation. The OSFM Pipeline Safety Division staff inspects pipeline operators to ensure compliance with federal and state pipeline safety laws and regulations, and

consists of engineers, geographical information system (GIS)/mapping staff, analytical staff, and clerical support located throughout California.

The OSFM has generally not met the minimum federal inspection requirements for inspecting operators and pipelines every five years due to significant recruitment and retention issues related to the pay and classification of the Pipeline Safety Engineers (PSE). This resulted in the OSFM not receiving the full amount of the annual federal reimbursement grant that was available. The recruitment and retention issue was resolved through higher compensation packages in July 2015, as approved by the California Department of Human Resources (Cal HR) and the OSFM is in the process of filling the vacant PSE positions to meet the minimum federal inspection requirements.

The OSFM receives funding from three annual fees and a federal grant. The fees include a \$6,000 annual operator fee imposed on each intrastate pipeline operator (currently 40), a \$550 per pipeline mile annual fee (currently 6,500 miles), and a \$1,500 annual fee on each OSFM approved hydrostatic test company (currently 19). The federal grant reimbursement is dependent on Congressional funding, but over the last 10 years has averaged 50 percent of the program's qualified expenditures.

STAFF COMMENTS

The May 2015 pipeline incident at Refugio Beach in Santa Barbara County spilled over 100,000 gallons of crude oil and impacted over 25 miles of coastline and ocean water. The impacts from the spill were devastating, both environmentally and economically. To prevent similar incidents from occurring on intrastate hazardous liquid pipelines, the Legislature and the Governor approved two pipeline safety bills SB 295 and AB 864.

The requirements in these bills create a significant increase of the inspection and research workload and the positions currently allotted to the OFSM Pipeline Safety Division are insufficient to carry out the new mandates. The requested resources will be funded through FY 2020-21 with the existing fee structure given the anticipated fund balances within CHLPSF, and the anticipated 50 percent federal grant funding of qualified expenditures.

The pipeline that spilled (Line 901) and a related pipeline (Line 903) have been purged of oil and filled with nitrogen, pending the completion of corrective actions required by PHMSA. It is not anticipated that these pipelines will be able to be placed back into service in 2017. It is anticipated that once all of the required corrective actions have been taken, the operator of the pipeline will submit a plan for those pipelines and request a state tariff. This would transition these pipelines to be regulated by the OSFM, including the additional requirements of SB 295 and AB 864. PHMSA and OSFM are currently working together on actions related to these pipelines.

With the additional requirements of the two bills, as well as the potential restart of the Lines 901 and 903, there is significant interest in the implementation of the new regulations for inspections and shutoff systems. Given this level of interest, it may be

appropriate to request the OSFM provide annual reports on the implementation of the regulations. This report could include the number of inspections completed, the amount of pipeline where additional shutoff systems have been added, and the status of the start-up of Lines 901 and 903.

Finally, there is a slight ambiguity in the definition of what products are covered under the definition of “oil” within the provisions of AB 864. Staff suggests a slight modification to the statute to clarify the Author’s intent that the bill applied to all intrastate hazardous liquid pipelines under the jurisdiction of the OSFM.

Staff Recommendation: Approve as Budgeted and adopt trailer bill to add annual reporting requirements in the implementation of SB 295 and AB 864 as well as a clarification of the definition of oil.

3790 DEPARTMENT OF PARKS AND RECREATION

Governor's Budget proposes \$608 million in total expenditures for the Department. This includes \$483 million for state park operations and facilities, and \$125 million for local assistance grant programs. The proposed budget total represents a decrease of \$112 million, or 16 percent, below the estimated level of current-year spending for state parks. This in large part reflects one-time capital outlay spending in 2015–16.

ISSUE 9: BASE FUNDING TO MAINTAIN OPERATIONS

The Governor's Budget requests another one-time increase of \$16,968,000 in spending authority from the State Parks and Recreation Fund to sustain its operations and maintain its base support budget. Additionally, the proposal requests a one-time redirection of \$31,000,000 in fuel tax revenues to the State Parks and Recreation Fund (SPRF) to maintain fund solvency.

**LAO ANALYSIS AND
RECOMMENDATION**

The LAO provided the following detailed review of this proposal.

Continues One-Time SPRF Augmentation. *The Governor proposes a one-time \$17 million increase in SPRF spending authority. This would provide a similar funding level from SPRF as in the past two fiscal years. (Similar one-time increases were included in the past two budgets as well.) The department anticipates providing an ongoing budgetary solution as part of the 2017–18 budget.*

Redirect Fuel Taxes From OHV Trust Fund to SPRF. *Due to the structural shortfall in SPRF and the depletion of the SPRF fund balance, the administration requests a one-time redirection of \$31 million in fuel tax revenues to SPRF. This money would otherwise be deposited in the OHV Trust Fund to support the state's eight State Vehicular Recreation Areas (SVRAs) and other programs for Off Highway Vehicle (OHV) users. The OHV Trust Fund balance is significant. Even with the proposed transfer, the Governor's budget estimates a year-end fund balance of \$149 million in 2016–17.*

OHV Revenue Transfer Is Legal . . . *We note that fuel tax revenues have been redirected from the OHV Trust Fund in the past. Specifically, the 2010–11 Budget Act provided for a redirection to the General Fund of about \$10 million per year in fuel tax revenue that had previously been designated for deposit in the OHV Trust Fund. At that time, the California Attorney General issued an opinion that such a redirection was legal because (1) the OHV Trust Fund was established by*

the Legislature, and (2) the redirected revenue is not subject to constitutional restrictions on spending gas tax revenues since it is from OHVs rather than from motor vehicles used on public streets and highways. Thus, the Governor's proposed redirection to SPRF would be legal for the same reasons.

. . . **But Raises Policy Questions.** Current statute requires that this fuel tax revenue go to the OHV Division. Consequently, the proposed redirection would not only reduce revenues to support OHV activities, it would also represent a policy shift in the use of the funds. The revenue deposited in the OHV Trust Fund is intended to reflect tax revenues from purchases made by OHV users. Therefore, using the money for SVRAs and other activities that support OHV recreation provides a direct benefit to these tax payers. However, if the Legislature does not wish to redirect this money to SPRF, it would need to either (1) provide a one-time transfer from another funding source—such as the General Fund—to maintain parks funding at its current level or (2) reduce the level of state funding for parks operations and capital projects.

We note that in 2014–15, the Legislature adopted budget trailer legislation requiring the California Department of Transportation to reevaluate how the amount of fuel sales attributable to recreational use of OHVs is calculated. That report was due January 1, 2016 but has not yet been provided to the Legislature. The report could potentially impact the amount of revenue for the OHV Trust Fund.

Difficult to Determine Effect of Revenue Generation Programs. Since the implementation of revenue generation programs, revenues have increased—estimated current-year park-generated revenues are about \$10 million (11 percent) higher than they were in 2011–12. However, other factors besides revenue generation activities might have contributed to this growth, such as an improving economy and dry conditions in recent years (parks generally have more visitors when it is not raining). Moreover, while there are examples of particular projects that appear to have been successful, the department has not evaluated how well the programs are working at a statewide level. Consequently, it is difficult to determine how much revenue is attributable to new park initiatives. Determining statewide program effectiveness of revenue generation programs could help inform the Legislature about whether to continue the current incentive program and what potential improvements could be made.

Long-Term Solution Needed to Address SPRF Structural Shortfall. Without the proposed shift of fuel tax revenues, the SPRF would have a negative fund balance of \$25 million in 2016–17, an amount which will continue to grow in out-years without action to address the structural deficit. Therefore, an ongoing solution to bring the fund into structural balance is needed. The department has indicated that it anticipates proposing an ongoing solution for the 2017–18 budget year.

LAO Recommendations. One-Time Augmentation Makes Sense but Requires Decision on Fund Source. *We find that the one-time \$17 million augmentation to SPRF makes sense, as the amount of the augmentation is consistent with the past two years and will allow DPR to maintain current service levels.*

We have no specific recommendations with regard to the administration's proposed redirection of fuel tax revenue to SPRF to address the fund's structural shortfall in 2016–17. The transfer is legal and the fund that the revenue would otherwise go to—the OHV Trust Fund—can support it. However, we do note that it reduces funding available for OHV activities. The only alternative that we have identified is a transfer from the General Fund. We recommend the Legislature choose the funding source that aligns with its priorities regarding OHV-related activities and other competing General Fund priorities.

Information on Progress-to-Date Should Be Provided. *While we understand that DPR is still in the process of developing and implementing changes to address its budgetary and programmatic challenges, it should be able to report on the status of its current efforts and how successful its changes have been thus far. Therefore, we recommend that the Legislature require the department to report at legislative budget hearings this spring on the following items:*

- *The implementation of the Parks Forward Commission recommendations and Transformation Team progress, including expected completion dates.*
- *The Revenue Generation program—including a description of the revenue-generating projects that have been completed or are currently underway, the amount of additional revenue these projects have generated, and where and how this revenue has been spent.*
- *The range of options the department is considering to achieve a long-term budget solution, including the role that the department anticipates revenue generation playing.*

STAFF COMMENTS

Staff agrees with the LAO that another one-time \$17 million augmentation to SPRF makes sense. This augmentation is consistent with the past two years and will allow DPR to maintain current service levels. Staff also supports the one-time transfer of funds from the OHV Trust Fund to SPRF. As LAO points out, the transfer is legal and the OHV Trust Fund can support it. Without the proposed shift of fuel tax revenues, the SPRF would have a negative fund balance of \$25 million in 2016–17.

Finally, the Department should be prepared to respond to the items outlined in the LAO analysis regarding the status of current efforts to address its budgetary and programmatic challenges.

Staff Recommendation: Approve as Budgeted

ISSUE 10: COMMUNITY OUTREACH PILOT PROGRAM

The Governor's Budget proposes a total of \$690,000 over two years from the State Parks Protection Fund and three positions for a pilot project to engage underserved and underrepresented communities. The pilot is a component of the Relevancy Committee's initiative "Engaging Underserved Populations with State Parks." Specifically, the project would establish state park community liaisons in the Bay Area and Angeles districts who will conduct outreach and engage local community members to create exhibits, tours, demonstrations, and other programs. The Department states that the goal of the project is to identify best practices in outreach, engagement, cultural relevancy, and partnerships that can be scaled throughout the state parks system.

BACKGROUND

The California State Parks Stewardship Act and AB 1478 led to the formation of the Parks Forward Commission. One of the Commission's recommendations was to expand park access for California's underserved communities and urban populations, as well as better engage California's younger generations. The Transformation Team - which is tasked with implementing the Commission's recommendations - formed a Relevancy Committee that focuses on enhancing and developing outreach services to underserved communities.

**LAO ANALYSIS AND
RECOMMENDATION**

The LAO provided the following analysis on this item.

Unclear How Project Will Be Evaluated. While the department indicated several general goals for the pilot, it is unclear how the project would be evaluated and what specific metrics would be used to measure success at engaging the target communities before determining whether it should be scaled up to the entire statewide system. Potential evaluation criteria could include (1) increased total visitorship, (2) increased visitorship among certain demographics, (3) increased participation in particular programs, (4) increased revenue from park users, and (5) improved visitor or community satisfaction (for example, as measured through surveys). Determining objective outcomes prior to funding a pilot project can help ensure that the funding is spent on achieving a clear and defined goal. It also helps ensure that a meaningful outcome evaluation can be completed before program expansion.

We note that the department indicates that it plans to consult with an academic institution regarding the evaluation of the project. However, the Governor's proposal does not include funding for a consultant contract and, therefore, the department is likely to be the lead agency on evaluating the project. Thus, we find that department should be able to more clearly define its research approach

even if it might refine this approach at a later date following informal consultation with an academic expert.

LAO Recommendation. Require Department to Develop Evaluation Criteria Prior to Taking Action. *We recommend that the Legislature direct the department to provide an evaluation plan for the pilot for consideration at budget hearings. The evaluation plan should include specific outcome metrics and a proposed methodology for their measurement. The evaluation plan also should clearly reflect the department's goals for the pilot. Pending receipt and review of this information, we withhold recommendation of the proposed funding for the pilot project.*

STAFF COMMENTS

Staff supports the concept of the proposal and concurs with the LAO that the Subcommittee may wish to direct the Department to develop evaluation criteria prior to taking action. Along those lines, the Subcommittee may wish to ask the Department the following clarifying questions:

- How does the Department plan to determine whether the project is successful or not? How will the chosen outcome measurements factor into determining the pilot's success?
- What is the plan to scale the program up should the pilot determine that is in fact successful? How does the Department envision the final state of this program? How will the listed questions/measurements inform any future expansions?

Staff Recommendation: Hold Open

ISSUE 11: GOAT CANYON SEDIMENT BASIN

The Governor's Budget requests two-year funding of \$1,886,000 annually from the California Tire Recycling Management Fund to maintain the Goat Canyon Sediment Basins (Sediment Basins) at Border Field State Park (BFSP) by excavating and processing sediment and trash, disposing trash and reject material, exporting sediment, testing and monitoring of contaminants and conditions, and maintenance of facilities. The two-year funding will allow the Department to complete the report on alternative funding sources that is due to the Legislature in September 2016.

BACKGROUND

The Department constructed the Sediment Basins in 2005 on the international border of Mexico within BFSP and the Tijuana River National Estuarine Research Reserve (TRNERR); the Sediment Basins protect one of our nation's most significant wetland habitats - the Tijuana Estuary. The Tijuana Estuary within BFSP is critically threatened by sedimentation and trash, primarily from Mexico. When uncontrolled, sediment and trash smother the saltmarsh habitat, alter the estuary's natural hydrologic processes, and pollute the environment. In addition to sediment, these cross-border flows can deposit large volumes of waste tires, plastic debris, and other trash, creating conditions of chronic pollution from domestic and industrial discharges. The Sediment Basins capture sediment, trash, and polluted water upstream of the Tijuana Estuary. When the Department planned for the construction of the Sediment Basins, it was anticipated that the sediment captured would have a significant market value as construction fill, which would off-set the maintenance costs. Subsequently, economic factors have significantly reduced the demand for construction fill. More significantly, the quality of the material as a construction product has been far lower than anticipated. Over \$8 million has been spent directly on basin management by the Department through one-time grants and funding from other special interest groups since the construction of the Sediment Basins in 2005.

STAFF COMMENTS

The Department has been both very creative to-date in funding the Sediment Basin maintenance. However, all potential partners have been exhausted, and all possible special funding sources available have been tapped out. This proposal includes the annual costs that are essential for complete maintenance of the Sediment Basins. Without this allocation, the Department not only risks potential penalties and clean-up costs associated with uncontrolled flows, but may face the loss of ecosystem function in the Tijuana Estuary, arguably Southern California's most significant coastal wetland.

There is a high-priority long-term need to protect the Tijuana Estuary until the erosion and trash control issues are resolved in Mexico. The requested amount has been assessed based on seven years of experience conducting Sediment Basin

Maintenance. If the proposal is not approved, fines to the Department totaling up to \$10 million from a single winter storm, are possible. Unauthorized discharges of "waste" (sediment and trash) to waters of the State are regulated by the Water Board. Without annual maintenance, trash and sediment would flow into the Tijuana Estuary, resulting in a possible \$10,000/day penalty until the waste is cleaned up. A clean-up construction project could take nearly 400 days, assuming permitting (8 months), bidding (3 months), and construction (3 months), totaling fines of nearly \$4,000,000.

In addition to maintaining the Sediment Basins, the Department is addressing the problem at the source by providing significant leadership in the Tijuana River Valley Recovery Team (Recovery Team), a multi-agency collaborative effort with a primary objective of controlling sediment and trash in the Tijuana River Valley in Mexico. Resolution of the problem in Mexico will likely take many years. Until then, the Department must protect the Tijuana Estuary through annual maintenance of the Sediment Basins.

Staff Recommendation: Approve as Budgeted

3960 DEPARTMENT OF TOXIC SUBSTANCES CONTROL**ISSUE 12: ARGONAUT MINE DAM RETROFIT (SFL)**

The Governor's Spring Finance Letter requests a one-time augmentation of \$14.3 million (General Fund) to design and construct a remedial action to retrofit the Eastwood Multiple Arch Dam at the Argonaut Mine Tailings Site in Jackson, California. This action is intended to prevent the release of hazardous mine tailings from the site into the City of Jackson and Jackson Creek.

BACKGROUND

Federal laws enacted in the 1890s required mine operators to construct debris or tailings dams to protect the rivers, lakes, and farmland downstream from destruction by mining wastes. The Dam is the last of a three-dam series at the Argonaut Mine Tailings Site, located in a ravine situated just above downtown Jackson, California. It is a concrete dam constructed in 1916 for the purpose of retaining waste mine tailings from the Argonaut gold mine and releasing the waste water into Jackson Creek. The Dam was operated until about 1942 and is located on private property currently owned by a widow on a fixed income.

The Argonaut Mine Tailings Site three-dam system contains an estimated one million cubic yards of mining wastes including hazardous levels of metals, primarily arsenic. The Eastwood Dam retains an estimated 165,000 cubic yards of those tailings. The United States Environmental Protection Agency (USEPA) and United States Army Corps of Engineers (USACE) have conducted studies which conclude the Dam is unstable, and if it fails during periods of sustained rainfall, it could release a flow of mine tailings into downtown Jackson at depths of up to 15 feet. The study also found that failure could cause damages and cleanup costs to exceed \$120 million and result in loss of life. The preliminary cost estimate to repair/retrofit the Dam is \$14 million. An additional \$325,000 is required to complete the 100 percent design and ensure the Interim Storm Water Diversion System is operated until construction is completed.

Until recently, the Dam had not had regular inspections or maintenance in decades. In the early 1930s, the definition of a "regulated" dam was changed in statute, effectively removing all state and federal jurisdiction over this dam. It is considered a "nonjurisdictional" dam. Since the dam is unregulated by the State, regulatory authority resides with the County of Amador, which does not have the expertise or resources to regulate the dam. DTSC has authority to prevent the release of hazardous substances from the site, and therefore, is asserting this authority to take interim and long-term measures to prevent the release of arsenic contaminated mine tailings into the City of Jackson and the Jackson Creek watershed, including public water supplies and Lake Amador.

STAFF COMMENTS

The study of the Dam indicates that it is unstable and could fail during sustained rainfall, releasing a flow of arsenic contaminated mine tailings into downtown Jackson at depths of up to 15 feet damages. Given that cleanup costs could potentially exceed \$120 million and result in loss of life, not to mention the contamination that would result to the City of Jackson and the Jackson Creek watershed, staff supports this request to fund remedial action measures for the Dam.

Staff Recommendation: Approve Spring Finance Letter

ISSUE 13: ENHANCED PERMITTING AND CAPACITY SUPPORT (SFL)

The Governor's Spring Finance Letter requests \$2.4 million from the Hazardous Waste Control Account, and 15 positions within the permitting division, to fully implement process improvements under the permit enhancement work plan. The proposal is intended to sustain timely permitting actions, mitigate the incidence of facilities operating for extended periods of time on expired permits, and improve enforcement.

DTSC also requests trailer bill language to eliminate the option to pay a flat fee for a permit application in lieu of a fee for service so that permit applicants pay the full costs associated with permitting efforts. The Administration believes this will significantly reduce staff time on permit applications and align revenues with expenditures in the future.

BACKGROUND

There are currently 37 facilities operating under continued permits that are under review by DTSC. In addition to these 37 permits, DTSC anticipates that it will receive 57 permit applications over four years beginning in 2015-16 - the number of applications per year is expected to vary between 10 and 16.

In 2014-15 the Legislature approved eight two-year limited term positions to address a backlog of 24 hazardous waste facility permits. The department made decisions on 5 of the backlogged permits in 2014-15 and plans to make 12 more decisions in 2015-16 and 7 more decisions in 2016-17. According to the department, these eight limited-term positions combined with other departmental resources allow it to make decisions on about 8 permits per year in the future.

On March 30, 2016, this Subcommittee approved the Governor's Budget requests for \$1.2 million (Hazardous Waste Control Account) to make permanent eight limited-term positions that are set to expire at the end of the current year. These positions were previously provided to address a hazardous waste permit renewal backlog, as well as to update cost estimates associated with closing hazardous waste facilities.

At the hearing, LAO noted that even with these resources, DTSC would continue to have an ongoing backlog of permit applications. LAO stated:

"The department projects it would need to make decisions on an average of 16 permit applications per year—instead of its estimated average of 8 per year - in order to make timely decisions on renewals and process new and modified permits. Our own projections confirm that DTSC would need to roughly double the average number of decisions it makes per year, from 8 to 16, to address the existing backlog and move towards attaining its goal of making decisions on 90 percent of permit applications within an average of two years."

At the hearing, the Subcommittee asked the Department about the resources it would take to increase the annual number of permit application decisions. According to DTSC, the resources requested in this proposal will support completing approximately 16 permits annually.

STAFF COMMENTS

The Department's effort to reduce permitting backlogs is critical to the future of the Department. Staff concurs with the concept of both proposals, and agrees with trailer bill language that would align staffing, revenues and expenditures. The Subcommittee may wish to ask the department to address:

- How these proposals, together, will align permitting with workload and the Independent Review Panel recommendations?
- Whether there is a possibility, even in the short run, of a facility operating without a current permit and, if so, how the department will handle these incidents in the future?
- What the trailer bill language will accomplish in terms of the structural deficit in the Hazardous Waste Control Account?
- Has DTSC done a comparison between applications submitted under the flat fee and fee for service approaches that demonstrates the fee for service approach results in higher quality applications?
- Can DTSC provide an example of other cases (in other programs or departments) where a switch from flat fee to fee for service resulted in higher quality applications?

Staff Recommendation: Hold Open

ISSUE 14: STRATEGIC PROGRAM DEVELOPMENT (SFL)

The Governor's Spring Finance Letter requests an augmentation of \$747,000 (\$374,000 from the Hazardous Waste Control Account and \$373,000 from the Toxic Substances Control Account), and to convert 5 positions from limited-term to permanent, for ongoing Strategic Program Development. The Office will be responsible for developing and implementing performance management strategies, including metrics, to improve efficiency and accountability.

Funding would support the following activities: preparing annual scoping plan; completing statutory program review; conducting baseline program evaluations; creating strategic program development plans; developing standards and performance metrics; providing implementation support and training; and conducting periodic reviews.

BACKGROUND

According to DTSC, it lacks the resources and structure that would allow it to conduct ongoing strategic planning and performance management, identify deficiencies across all program areas, and develop corrective action plans to address them.

"The measurable success of the Permitting Program improvement effort demonstrates the importance of dedicated resources to develop, support, assess, and monitor reform efforts. Notwithstanding the success of that effort, however, DTSC continues to receive close scrutiny by the Legislature and the public through oversight hearings and the creation, in the current year budget, of an Independent Review Panel for the Department. That Panel is charged with reviewing, reporting on, and recommending improvements to DTSC's programs.

In order to institutionalize continuous improvement, and to address the issues raised through Legislative hearings, DTSC proposes to establish a permanent team to carry out organized and integrated strategic planning and program review. This team will work collaboratively with the Department's core programs and support services to conduct baseline assessments, prioritize issues and development needs, create strategic development plans, establish standards and metrics, provide implementation support, design and assist in training on new processes and tools, conduct periodic reviews, and develop progress reports. The effort will build from the DTSC's mission and vision, and the mission and vision of each program or support area, using them as guiding principles."

The Department state that the resources in this proposal will allow it to work systematically through the Department's core programs and support services to evaluate the strengths, weaknesses, opportunities and threats in the programs and service functions. The work will be done in collaboration with program staff and management, and in partnership with the Department's Office of Environmental Justice and Tribal Affairs.

STAFF COMMENTS

The Subcommittee may wish to ask the Department the following questions about this proposal:

- Can you provide examples of the types of performance metrics that would be developed and maintained under the proposal?
- What reporting does the DTSC plan to provide to the Legislature regarding performance outcomes? Will DTSC post such information to its web site?
- In the future, how will DTSC demonstrate to the Legislature whether the resources provided in the BCP resulted in improved efficiency and accountability?

Staff Recommendation: Hold Open

ISSUE 15: ENVIRONMENTAL JUSTICE AND TRIBAL AFFAIRS (SFL)

The Governor's Spring Finance Letter proposes an augmentation of \$881,000 (\$441,000 from Toxics Substances Control Account and \$440,000 from Hazardous Waste Control Account) and 6.0 permanent positions to create an Office of Environmental Justice (EJ) and Tribal Affairs.

According to the Administration, several broad programmatic and legal justifications underpin this request for resources and staff. They are as follows:

- Building on California's Precedent-Setting Commitment to Environmental Justice;
- Institutionalizing DTSC's Commitment to EJ and Tribal Affairs;
- Filling Gaps that Inhibit DTSC's Ability to Broadly Promote Environmental Justice;
- Better Compliance with Significant New State Law Protecting Tribal Cultural Resources; and
- Enhancing Enforcement of Environmental Justice

The requested funds will be used to formally create and support the position of Assistant Director for EJ and Tribal Affairs within the Department. While the position was established in statute and the incumbent was appointed last year, the position is currently being loaned from the California Air Resources Board. Five additional positions are being requested to support the Office and develop comprehensive Environmental Justice and Tribal Affairs programs. Action Plans, policies, protocols and other needed documents and newsletters will be developed to promote transparency and community trust for all stakeholders including EJ and Tribal communities. DTSC will have the staff needed to do much needed outreach and coordinate and participate in community and other meetings with stakeholders – 100 such meetings are anticipated.

BACKGROUND

DTSC has experienced increasing public scrutiny and legislative oversight since 2008. Programmatic improvements are currently being implemented; however, concern continues to be raised about DTSC's ability to protect the State's people and environment from the harmful effects of toxic substances. A key focus is on those communities most impacted by multiple sources of pollution and most vulnerable to their effects. High profile cases -- such as the Exide Technologies facility in the City of Vernon, where DTSC is overseeing facility closure and large-scale cleanup efforts in surrounding neighborhoods -- keep DTSC's policies, decision-making processes, and community engagement practices in the spotlight at a state and national level.

In 2007, an environmental justice initiative was created within the enforcement program to fulfill certain state mandates and address concerns of environmental justice communities. Since that time, environmental justice coordination has been the primary

responsibility of one staff member within the enforcement program, and has lacked reach into DTSC's other key programs such as permitting, site cleanup, and safer consumer products and workplaces. Tribal consultation activities have also been limited and lacked effective coordination within DTSC.

STAFF COMMENTS

This proposal will help strengthen coordination of EJ and Tribal Affairs activities and enhance engagement with impacted communities. It will also allow the Department to identify and address gaps within its programs that may contribute to unequal environmental protections or outcomes in these communities, and broaden the transparency of and access to DTSC's programs.

Staff Recommendation: Approve SFL
