

## AGENDA

### ASSEMBLY BUDGET SUBCOMMITTEE NO. 3 RESOURCES AND TRANSPORTATION

ASSEMBLYMEMBER RICHARD BLOOM, CHAIR  
THURSDAY, MAY 22  
10:30 A.M. - STATE CAPITOL ROOM 447

CONSENT CALENDAR		
ORG CODE	DEPARTMENT	SUMMARY
3540	DEPARTMENT OF FORESTRY AND FIRE PROTECTION	Reappropriation (Prop 40) for the City of Buena Park for a CALFIRE Urban and Community Forestry Program grant.

VOTE-ONLY CALENDAR		
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<b>ITEM</b>	<b>DESCRIPTION</b>	
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MR = May Revision Proposal  
SFL = Spring Finance Letter

**VOTE-ONLY****2660 CALTRANS****3790 DEPARTMENT OF PARKS AND RECREATION**

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**VOTE-ONLY ISSUE 1: OFF ROAD HIGHWAY VEHICLES**

The Subcommittee will consider limiting the expansion of Off Road Vehicle parks and recalculating the amount of gas tax revenues that should be used for that purpose.

**BACKGROUND**

Currently the Off Road Highway Vehicle Account has a balance of \$43 million. Because this fund has such a large balance, there is pressure to acquire and expand existing off-road vehicle parks.

These parks are funded with a portion of the gasoline tax revenue that is attributed to the use of such fuels for off-road activities. However, the formula has not been re-evaluated in recent years.

**STAFF COMMENT**

The Subcommittee could consider adopting placeholder trailer bill language, which would do the following:

- Require Caltrans, in cooperation with the Department of Parks and Recreation and the Department of Motor Vehicles, to study, and adjust if appropriate, the percent of Motor Vehicle Fuel Account being allocated to the Off-Highway Vehicle Trust Fund, (as per Sec. 8352.6 of the Rev&Tax Code)
- Place a moratorium on any further acquisitions and/or expansions of State Vehicle Recreation Areas pending this adjustment.

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**Vote-Only Recommendation: Approve Placeholder Trailer Bill Language.**

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**2740 DEPARTMENT OF MOTOR VEHICLES**

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**VOTE-ONLY ISSUE 2: DRIVER'S LICENSE ISSUANCE**

The Subcommittee will consider action on the issuance of Driver's Licenses.

**BACKGROUND**

As of January 2013, the DMV had issued 27.3 million licenses/identification cards. AB 60 expanded who DMV can issue a license to and requires DMV, by January 1, 2015, to issue a driver's license to an applicant who is unable to submit satisfactory proof that their presence in the United States is authorized under federal law, if he or she meets all other qualifications for licensure and provides satisfactory proof to the department of his or her identity, and California residency. AB 60 also requires DMV to develop regulations and consult with interested parties in an effort to assist the department in identifying documents that will be acceptable for purposes of providing documentation to establish identity and residency.

Under AB 60, people may be required to declare via affidavit that they are both (1) ineligible for a social security number and (2) are unable to submit proof of authorized presence in the United States.

**STAFF COMMENTS**

The Subcommittee could consider adopting changes to state law that would allow applicants to use the existing DMV driver's license and identification card applications (Form 44) to certify under penalty of perjury that a social security number has never been issued to them and that they are not eligible for a social security number and other technical changes to the process.

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**Vote-Only Recommendation: Adopt Placeholder Trailer Bill Language.**

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**VOTE-ONLY ISSUE 3: EXPANSION OF HOV STICKER CAP FOR ELECTRIC VEHICLES**

The Subcommittee could consider adopting an expansion of the HOV Sticker Cap.

**BACKGROUND**

HOV lane access to single-occupant, clean air vehicles was first authorized in 1999 with the passage of AB 71 (Cunneen), Chapter 330, Statutes of 1999, for super ultra-low emission vehicles and ILEVs (white sticker vehicles). The intent of this original authority (and subsequent authorities) was to incentivize the purchase of clean air vehicles. Clean air vehicle programs have, in fact, been shown to be quite successful in this vain.

For example, in a survey conducted last year by the California Center for Sustainable Energy, 59 percent of respondents indicated that access to HOV lanes was an important motivation for purchasing a clean air vehicle. That same survey also found that 74 percent of the clean air vehicle owners reportedly display an HOV sticker on their vehicles.

Expanding access to the green sticker program will ensure that this important incentive is in place to encourage greater saturation of AT PZEV vehicles. As of March 28, 2014, 38,179 green stickers have been issued and the 40,000 cap is expected to be reached by the end of spring.

**STAFF COMMENTS**

Current legislation is being considered to make a substantial increase to the program cap. However, this legislation may not be enacted in time to avoid the State surpassing the current cap.

The Subcommittee could consider adopting placeholder trailer bill language, which would increase the green sticker cap by a small amount to meet the expected immediate demand for the program for the rest of 2014. This would ensure that program would continue in the near-term as the legislative process continues to deliberate the long-term program design.

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**Vote-Only Recommendation: Adopt Placeholder Trailer Bill Language.**

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**2665 HIGH SPEED RAIL AUTHORITY  
3480 DEPARTMENT OF CONSERVATION  
8660 PUBLIC UTILITIES COMMISSION**

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**VOTE-ONLY ISSUE 4: HIGH SPEED RAIL OPERATIONS FUNDING**

The Subcommittee will consider proposals for High Speed Rail operational costs.

**BACKGROUND**

The Subcommittee will consider three proposals that relate to High Speed Rail operations

**Governor's Budget Proposals**

The Governor's Budget includes two proposals associated with the Authority's move towards construction:

1. Department of Conservation: The Governor's Budget requests a four-year, limited-term increase in reimbursement authority of about \$5 million per year (Proposition 1A Bond Funds), to assist the High-Speed Rail Authority by providing services to meet environmental commitments and mitigation with agricultural land conservation.
2. Public Utilities Commission: The Governor's Budget requests \$1.85 million and three positions (\$355,000 Public Transportation Account, State Transportation Fund and Reimbursements and \$1,500 in reimbursements, mainly from utilities) to perform the required electrical system planning and permitting analyses to support the deployment of the HSR Initiative. The California High-Speed Rail (HSR) Authority is responsible for the preparation of environmental documents required by law on the development of HRS in the state. The documents prepared at this point do not assess the electrical infrastructure needed, nor do they include a full funding plan. The CPUC has stated that it will be responsible for preparing additional environmental documents to consider the impact of the rail line on electrical infrastructure, such as new substations or transmission lines.

**May Revision Proposals:**

3. Construction Management Budget Bill Language: The May Revision includes a proposal for provisional language to allow Department of Finance to augment the budget of the High Speed Rail by up to 5.2 million in total funds and establish up to 35 positions to monitor contract awards related to Construction Packages 2, 3, and/or 4. The Department of Finance must notify the Joint Legislative Budget Committee and provide a staffing detail in order to access these funds.

**STAFF COMMENTS**

These proposals reflect the expectation that construction will begin on the Initial Construction Segment in the budget year. Therefore, staff recommends approval as these are in-line with the overall project plan.

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**Vote-Only Recommendation: Approve as Budgeted and Adopt May Revision Proposal**

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**2660 CALTRANS**

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**VOTE-ONLY ISSUE 5: LIBERTY CANYON HIGHWAY 101 INTER-MOUNTAIN RANGE WILDLIFE CROSSING STRUCTURE**

The Subcommittee will consider funding a study for a wildlife crossing.

**BACKGROUND**

The Mountain Recreation and Conservation Authority and Caltrans District 7 are preparing a cooperative draft agreement for Caltrans to produce a Project Study Report (PSR) to address the feasibility and cost of wildlife crossings of Highway 101 at Liberty Canyon in Los Angeles County. It is anticipated that this study will conclude in May 2015. The Authority is paying Caltrans \$200,000 to prepare this report, which is from Proposition 40 funds granted to the Santa Monica Mountains Conservancy.

After this study is completed, it is anticipated that \$250,000 will be needed to prepare an Environmental Impact Report (EIR) for the project to progress.

**STAFF COMMENT**

Given that this project crosses Highway 101, it would be appropriate for State Highway Account funding to be used for the EIR.

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**Vote-Only Recommendation: Appropriate \$250,000 State Highway Account funding for the EIR for the Liberty Canyon Highway 101 Inter-Mountain Wildlife Crossing.**

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**VOTE-ONLY ISSUE 6: FRESNO PROPOSITION 42 MAINTENANCE OF EFFORT**

The Subcommittee could consider adopting placeholder Trailer Bill Language to exempt Fresno County from the Proposition 42 Maintenance of Effort requirement.

**BACKGROUND**

Proposition 42, approved by voters in March of 2002, continued the Traffic Congestion Relief Act which allocated the sales tax on motor vehicle fuel as Traffic Congestion Relief Funds (TCRF) for transportation programs and road maintenance. The measure included a Maintenance of Effort for cities and counties to receive these funds, which was the equivalent of the amount expended by the entity for street purposes during the 1996-97, 1997-98 and 1998-99 fiscal years

In 2010, the Legislature adopted SB 524, which exempted Fresno County from the MOE requirement for Proposition 42 for 2008-09 and 2009-10. According to the county, this authority will sunset in June 30, 2015 at which time Fresno County's General Fund will have to repay its road fund of approximately \$5.5 million.

**STAFF COMMENTS**

The Subcommittee could consider adopting placeholder trailer bill language to permanently extend Fresno County from the Proposition 42 Maintenance of Effort. This extension should be contingent on Fresno County providing medical services to the indigent.

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**Vote-Only Recommendation: Adopt Placeholder Trailer Bill Language**

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**3360 CALIFORNIA ENERGY RESOURCE CONSERVATION AND DEVELOPMENT  
COMMISSION**

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**VOTE-ONLY ISSUE 7: ENERGY CONSERVATION ASSISTANCE ACT (ECAA) PROGRAM LOANS**

The Subcommittee will consider expanding funding for the ECAA program.

**BACKGROUND**

The Energy Conservation Assistance Act (ECAA) offers low and no-interest loans to public entities for energy efficiency improvements. Since 1979, 800 recipients and more than \$318 million in loans have been made by the ECAA program.

**STAFF COMMENT**

In 2013-14, the budget included \$28 million Proposition 98 funding for expanded ECAA financing for public schools and community colleges. These funds were fully allocated.

The Subcommittee could consider adding \$50 million in non-Prop 98 General Fund funding to provide loans to public entities such as cities, counties, special districts, public universities, and public hospitals.

It is anticipated that Subcommittee 2 will allocate additional funds for schools and community colleges in addition to this amount.

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**Vote-Only Recommendation: Appropriate \$50 million in General Fund funding for ECAA loans for public buildings.**

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**0540 NATURAL RESOURCES AGENCY**  
**0840 BOARD OF EQUALIZATION****VOTE-ONLY ISSUE 8: LUMBER PRODUCT ASSESSMENT RETAILER REIMBURSEMENT**

Prior to 2013, the state's timber harvest review program was funded by the General Fund. The program had experienced General Fund cuts for several years, which eliminated positions, delayed the approval of timber harvest plans, and compromised the integrity of the environmental review process. As a result, there were calls to decertify the timber harvest permitting program since it was not meeting its statutory obligations.

To remedy the situation, the Legislature passed AB 1492 (Committee on Budget, Chapter 289, Statutes of 2012), which, among other things, created a 1 percent assessment on the sale of lumber and engineered wood products (lumber products assessment). The primary purpose of this assessment is to fund "the activities and costs of the [timber harvest review agencies] associated with the review of projects or permits necessary to conduct timber operations." Additional revenues generated by the lumber products assessment are to go into various forest health grant programs.

AB 1492 allows a retailer who collects the lumber product assessment to reimburse itself for costs to set up the collection systems. The Board of Equalization (BOE) is responsible for determining the amount of this one-time reimbursement.

At its October 23, 2012, meeting, BOE adopted emergency regulations that allowed retailers to retain collected assessment amounts of up to \$250 per location as reimbursement for startup costs.

At the same time, BOE voted to begin a Business Taxes Committee (BTC) process to meet with interested parties and discuss the adoption of regulations to permanently specify the amount of reimbursement a retailer may retain for costs associated with the collection of the lumber products assessment.

As part of the BTC process, BOE staff contacted companies that provide software packages for the retail lumber industry, reviewed the available cost data, and used U.S. Census Bureau information to determine the average amount of start-up costs to implement the lumber products assessment. BOE staff concluded that in addition to the \$250 per location authorized by emergency regulations, retailers should be allowed to collect another \$485 per location; thus, providing a total of \$735 for reimbursement. At its September 10, 2013, meeting, BOE approved staff's recommendation and adopted implementing regulations.

**STAFF COMMENTS**

As explained above, the primary purpose of AB 1492 is to fund the state's timber harvest review program, which has an operating budget for fiscal year 2014-15, of approximately \$28 million. The AB 1492 fund is also required to have a \$4 million reserve, which should be met this year. The Governor's Budget proposes to spend most of the remaining projected balance—approximately \$3 million—on various forest health-related programs. This is all based on a fund projection that accounts for a \$735 one-time retailer reimbursement.

Last month, at BOE's April 22, 2014, meeting, certain board members expressed interest in reopening the retailer reimbursement issue and possibly increasing the amount to as much as \$5,500 per location. When \$5,500 was considered during the rule-making process, BOE staff estimated that this amount could lead to \$55 million in costs, which would essentially defund all AB 1492 programs. This was clearly not the intent of AB 1492. Moreover, the BTC analysis, BOE's staff recommendation, and BOE's regulations all support a \$735 reimbursement, which does not interfere with the intent of AB 1492.

It should also be noted that one BOE board member expressed concern that the reimbursement issue could interfere with the Legislature's intent in AB 1492. As such, she specifically asked BOE staff to contact the Legislature to provide an update on BOE's discussion.

The committee may wish to settle the reimbursement issue by codifying the amount approved by BOE on September 10, 2013. This action would preserve the intent of AB 1492, ensure the stability of the AB 1492 fund, and protect the state's timber harvest review program in the near-future.

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**Vote-Only Recommendation: Approve trailer bill language that amends AB 1492 by codifying BOE's retailer reimbursement regulations that were approved on September 10, 2013.**

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**0555 SECRETARY OF CAL-EPA****VOTE-ONLY ISSUE 9: ENVIRONMENTAL JUSTICE GRANTS**

The Cal-EPA Environmental Justice (EJ) Small Grants Program was established under Assembly Bill 2312 (Statutes of 2002, Chapter 994) to provide grants up to \$20,000 per project to eligible nonprofit organizations and federally recognized tribal governments. The grants are intended to address EJ concerns for which no permanent source of funding is available. Funding for this program has been provided by excess funds (Special Funds) donated by the boards and departments within Cal-EPA.

Projects selected for the 2013 EJ grants address a variety of environmental and public health objectives, including education on health and safety issues relating to pesticide use, reducing diesel emissions, ensuring safe drinking water, and participation in the environmental decision-making processes at both local and state levels.

**STAFF COMMENTS**

According to California Secretary for Environmental Protection Matt Rodriguez, these grants "have a direct impact in some of our most vulnerable California communities, helping to improve their health and quality of life. The continuation of this important grant program is a reflection of our ongoing commitment to environmental justice and public health protection." The 2013 grants provide nearly \$250,000 to EJ community-based nonprofit groups and federally recognized tribal governments to support environmental justice-related projects across California.

Staff suggests that the Subcommittee may wish to consider adopting placeholder trailer bill language that increases the cap per grant from \$20,000 to \$50,000 and authorizes the Secretary of Cal-EPA to award up to \$3 million a year for this purpose.

**Vote-Only Recommendation: Approve placeholder trailer bill language to increase the cap per EJ grant from \$20,000 to \$50,000 and authorize the Secretary of Cal-EPA to award up to \$3 million a year for this purpose.**

**3480 DEPARTMENT OF CONSERVATION**

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**VOTE-ONLY ISSUE 10: MAPPING MINES IN CALIFORNIA**

The Department of Conservation has been tasked with tracking and mapping mines throughout the state. The Department is able to take advantage of off-the-shelf software that would allow the public more access to information on mines, similar to the well tracking software used by the State Water Resources Control Board. Staff recommends approval of \$100,000 (General Fund), for three years, to purchase software (MineTracker) compatible with the existing GeoTracker and EnviroStor software used by the Cal-EPA agencies. This will save the state the cost of developing a “custom base” option that will take one to two years to develop.

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**Vote-Only Recommendation: Conform with Senate action to approve of \$100,000 (General Fund), for three years, to purchase MineTracker software.**

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**3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION**

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**VOTE-ONLY ISSUE 11: FIRE PROTECTION PILOT PROJECT**

Wildfires are a huge drain on local and state resources. Wet years followed by dry ones have resulted in a larger amount of vegetation, left to dry and ready to kindle. The drought leaves the state even more vulnerable, with fewer sources of water to fight fires. Los Angeles County has several vast uninhabited areas where wildfires can sometimes burn for hours without being detected. Additionally, high winds in the Los Angeles Basin can stoke fires out of control with alarming speed. In these conditions, early detection is absolutely critical.

The County of Los Angeles Fire Department (Department) has looked in to purchasing high-grade, persistent monitoring technology that can scan up to 1,024 square miles of land for smoke, to detect fires as soon as they are kindled. Monitors would be flown from a dirigible during peak fire season and would communicate wirelessly with the fire department. The Department estimates that six months of monitoring would cost approximately \$450,000.

If this technology is successful, it could be used across the state to prevent large fires in remote areas from burning out of control. The Subcommittee may wish to consider appropriating funds to support this pilot project in Los Angeles County.

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**Vote-Only Recommendation: Approve \$450,000 (General Fund) for a fire protection pilot project for the County of Los Angeles Fire Department.**

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**3600 DEPARTMENT OF FISH AND WILDLIFE  
3940 STATE WATER RESOURCES CONTROL BOARD**

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**VOTE-ONLY ISSUE 12: MARIJUANA RELATED ENFORCEMENT**

The Governor's Budget requests \$1.5 million (\$500,000 General Fund, \$500,000 Timber Regulation and Forest Restoration Fund, and \$500,000 Waste Discharge Permit Fund (WDPF) and seven positions for DFW and \$1.8 million (WDPF) and 11 positions for SWRCB to implement a task force to address issues with marijuana cultivation. Specifically, this task force program has four elements: permitting, enforcement, education and outreach, and coordination with other agencies. The DFW proposes shifting \$500,000 from the general enforcement budget to the marijuana task force and backfilling those funds with Fish and Game Preservation Fund.

**STAFF COMMENTS**

The Subcommittee heard and held open this issue on April 23, 2014, due to concerns with the request for \$1.5 million for DFW, especially as it relates to the \$500,000 from the Timber Harvest Regulation and Restoration Fund (THRRF). In 2012, the THRRF was created for the primary purpose of funding the state's timber harvest regulatory program. The THRRF contains a tiered funding structure that funds various forest health grant programs once the state's timber harvest regulatory program receives its funding. The marijuana task force does not fit neatly into any of the THRRF's tiers; however, the task force will improve forest health by cracking down on unpermitted marijuana grows.

To minimize the marijuana task force's impact on the THRRF, staff suggests the Subcommittee consider adopting trailer bill language that does the following:

- Specifically includes the marijuana task force in the THRRF tiered funding structure subject to the following conditions:
  - Limit THRRF funding to a maximum of \$500,000 for each fiscal year;
  - Sunset THRRF funding in three years;
  - Ensure that the marijuana task force does not receive funding priority over the state's timber harvest regulatory program; and,
  - Require that the THRRF funding be paid back.
- To help pay back the THRRF funding, gives DFW specific administrative penalty authority over trespass and unpermitted marijuana grow operations.

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**Vote-Only Recommendation: Approve as Budgeted and placeholder trailer bill as outlined above.**

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**3720 CALIFORNIA COASTAL COMMISSION****VOTE-ONLY ISSUE 13: COASTAL ACCESS ENFORCEMENT TRAILER BILL LANGUAGE**

Penalties are a critical component of all environmental statutes and are the primary means to persuade would-be violators to comply with the law. The deterrent component of any regulatory scheme is important, particularly for environmental laws. A credible threat of penalties to prevent violations in the first place can greatly increase the ability of an environmental agency to obtain voluntary compliance, and greatly increase its ability to protect the environment.

While the California Coastal Commission (Commission) has the authority to seek civil penalties in court, Commission staff claims that it is infrequently done, citing the very slow, expensive, and resource-intensive process.

Even the Legislative Analyst's Office (LAO) has weighed in on the issue. In its 2008-09 and 2011-12 budget analysis, the LAO recommended that the Commission be granted administrative civil penalty authority. The LAO highlighted the cumbersome process that "results in few fines and penalties issued by the commission due to the high cost of pursuing enforcement through the courts."

**STAFF COMMENTS**

Staff suggests that the Subcommittee consider adopting place-holder trailer bill language to authorize the Commission, by majority vote and at a duly noticed public hearing, to impose an administrative civil penalty on a person who intentionally and knowingly violates the public access provisions of the California Coastal Act (Coastal Act).

This is not a novel concept. Several environmental state agencies have been able to avoid costly litigation through their administrative penalty authority. For example, agencies such as the San Francisco Bay Conservation and Development Commission (BCDC), the State Water Resources Control Board (and regional boards), State Lands Commission, Department of Fish and Wildlife, California Energy Commission, Department of Forestry and Fire Protection, Department of Toxic Substances Control, Department of Resources Recycling and Recovery, and regional air districts all have administrative civil penalty authority, at least for certain issue.

BCDC's authority to regulate development along San Francisco Bay serves as the best analog to the work of the Commission. Using its civil penalty authority, BCDC has been successful at discouraging and resolving the vast majority of violations without resorting to expensive and time-consuming litigation.

Staff contemplates proposed trailer bill language that would be narrowly tailored to address intentional violations of public access to the California coastline. The Commission would not be authorized to penalize unintentional violations that cause de minimis harm if the violator has acted expeditiously to correct the violation.

**Previous legislation.** The proposed trailer bill language is similar to AB 976 (Atkins) of 2013, but more narrowly crafted.

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**Vote-Only Recommendation: Approve placeholder trailer bill language to authorize the Coastal Commission, by majority vote and at a duly noticed public hearing, to impose an administrative civil penalty on a person who intentionally and knowingly violates the public access provisions of the California Coastal Act.**

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**3790 DEPARTMENT OF PARKS AND RECREATION**

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**VOTE-ONLY ISSUE 14: KINGS BEACH (MR)**

The Governor's May Revision requests \$521,000 in fiscal year (FY) 2014-15 and \$450,000 in subsequent fiscal years from the State Parks and Recreation Fund (SPRF) and Lake Tahoe Conservancy Account for the operation and maintenance of Kings Beach State Recreation Area (KBSRA). This includes the operation and maintenance of properties covered under the 2014 Operating Agreement with the California Tahoe Conservancy (CTC). According to the proposal, this project is essential to the operation and maintenance of a robust park and increasing revenue-generating capacity. Additionally, a number of satellite beachfront access and beach day use properties currently under the ownership of the California Tahoe Conservancy are proposed to be operated by the Department.

**BACKGROUND**

Current facilities at KBSRA include permanent restrooms, picnic tables, pier, landscape features and a 166-space parking lot, with an entrance station kiosk. Park facilities are in need of maintenance, improvements and Americans with Disabilities Act compliance upgrades. Landscaping and parking areas are in need of restoration and repair.

The recreational resources of the property are walking, swimming, picnicking, rafting, kayaking, windsurfing, paddle surfing, sailing, and personal watercraft, amongst other water sports. Concessionaires provide visitors an opportunity to parasail, use personal watercrafts and other flotation devices, which are used to recreate in the water along the natural lakefront area. CTC owns several beachfront parcels west of KBSRA that are proposed to be operated by the Department – these parcels are heavily used during summer months, and include restroom, trash and picnic facilities, as well as, some parking areas and trails.

**STAFF COMMENTS**

Staff has no concerns with this proposal.

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**Vote-only Recommendation: Approve May Revision proposal.**

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**3940 STATE WATER RESOURCES CONTROL BOARD****VOTE-ONLY ISSUE 15: SUSTAINABLE GROUNDWATER MANAGEMENT TRAILER BILL**

The existing California Statewide Groundwater Elevation Monitoring Program (CASGEM), enacted in 2009 (SB X7 6 (Steinberg)) created a voluntary groundwater elevation monitoring program wherein locally-determined entities collect and report on annual groundwater elevations within groundwater basins. The Department has received information regarding groundwater elevations across the state and determined that 126 of the state's 515 groundwater basins are high or medium priority basins to the state. This means, for example, that they are heavily relied-upon for supply, support large and/or growing populations, support large amounts of irrigated acres, or have a documented history of negative impacts. These 126 high and medium priority basins are estimated to account for 92 percent of groundwater use in the State.

With the completion of the initial process to prioritize basins in December 2013, the Department identified that, of the 126 high and medium priority basins, only 73 have monitoring entities that are monitoring the entire basin.

**STAFF COMMENTS**

On March 26, 2013, the Subcommittee approved \$1.9 million and 10 positions (General Fund) for the SWRCB to identify groundwater basins that are in danger of suffering permanent damage due to overdraft. However, the Subcommittee held open the implementing trailer bill language pending additional specificity from the Administration.

The Administration proposes the following placeholder groundwater trailer bill language that states Legislative intent and provides a definition of sustainable groundwater management:

SECTION 1. The Legislature finds and declares:

- (a) The people of the state have a primary interest in the protection, management, and reasonable beneficial use of the water resources of the state, both surface and underground, and that the integrated management of the state's water resources is essential to meeting its water management goals;
- (b) Groundwater provides a significant portion of California's water supply. Groundwater accounts for more than one-third of the water used by Californians in an average year and more than one-half in drought years, when other sources are unavailable;
- (c) Excessive groundwater pumping can cause overdraft, failed wells, deteriorated water quality, environmental damage, and irreversible land subsidence that damages infrastructure and diminishes the capacity of aquifers to store water for the future;
- (d) When properly managed, groundwater resources will help protect communities, farms and the environment against prolonged dry periods, and climate change, preserving water supplies for existing and potential beneficial use;
- (e) Groundwater resources are most effectively managed at the local or regional level;

- (f) Some local agencies manage their groundwater sustainably, either through local management structures or pursuant to an adjudication of water rights, while others have not done so, leading to a variety of serious local groundwater problems;
- (g) Groundwater management will not be effective unless local actions to sustainably manage groundwater basins are taken;
- (h) Local and regional agencies need to have the necessary support and authorities to manage groundwater sustainably; and
- (i) In those circumstances where a local groundwater management agency is not managing its groundwater sustainably, the state needs to protect the resource until it is determined that a local groundwater management agency can sustainably manage the groundwater basin.

SEC. 2. Section 113 is added to the Water Code to read:

It is the policy of the state that groundwater resources be managed sustainably. Sustainable groundwater management means the management of groundwater to provide for multiple long term benefits without resulting in or aggravating conditions that cause significant economic, social, or environmental impacts such as long-term overdraft, land subsidence, ecosystem degradation, depletions from surface water bodies, and water quality degradation, in order to protect the resource for future generations. Sustainable groundwater management requires the development, implementation and updating of local water budgets, plans and programs based on the best available science, monitoring, forecasting and use of technological resources.

The Administration would like to pursue this language after the budget, as discussions continue with Assemblymember Dickinson and Senator Pavley, authors of the two groundwater bills pending before the Legislature.

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**Vote-Only Recommendation: Approve placeholder trailer bill language outlined above.**

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**VOTE-ONLY ISSUE 16: REGIONAL DRINKING WATER & WASTEWATER PLAN FOR SALINAS VALLEY (MR)**

The Governor's May Revision requests \$500,000 from the Waste Discharge Permit Fund (WDPF) penalty assessments for use by the Greater Monterey County Regional Water Management Group to develop an integrated plan to address the drinking water and wastewater needs of the disadvantaged communities in the Salinas Valley.

The funds would be available for assessment and feasibility studies necessary to develop the plan. The Greater Monterey County Regional Water Management Group would be required to develop the plan in consultation with appropriate stakeholders, including the State Water Board and representatives of disadvantaged communities. Plan requirements would include identification of disadvantaged communities without safe drinking water and recommendations for planning, infrastructure, and other water management actions that achieve affordable, sustainable solutions for disadvantaged communities, including communities without public water systems.

**BACKGROUND**

Salinas Valley is one of the regions in the country with the largest agricultural production. However, years of intensive fertilizer and pesticide use have left a legacy of water pollution in the region's surface and groundwater. Nitrate groundwater contamination not only imposes serious health risks but it also results in major costs for small rural communities like the ones in the Salinas Valley. Senate Bill SB X2 1 (Perata), Chapter 1, Statutes of 2008 Second Extraordinary Session, required the State Water Board, in consultation with other agencies, to prepare a report to the Legislature focusing on nitrate groundwater contamination in the state and potential remediation solutions. In response, the State Water Board contracted with the University of California at Davis (UCD) to gather information for the report, which was released in January 2012. The study showed that nitrate loading to groundwater in the four-county Tulare Lake Basin and the Monterey County portion of the Salinas Valley is widespread and chronic, and is overwhelmingly the result of crop and animal agricultural activities. Due to long transit times, the impact of nitrates on groundwater resources will likely worsen in scope and concentration for several decades.

According to the UCD study, infants who drink water containing nitrate in excess of the maximum contaminant level (MCL) for drinking water may quickly become seriously ill and, if untreated, may die because high nitrate levels can decrease the capacity of an infant's blood to carry oxygen (methemoglobinemia, or "blue baby syndrome"). High nitrate levels may also affect pregnant women and susceptible adults. In addition, nitrate and nitrite ingestion in humans has been linked to goitrogenic (anti-thyroid) actions on the thyroid gland, fatigue, reduced cognitive functioning, maternal reproductive complications, including spontaneous abortion, and a variety of carcinogenic outcomes.

The UCD study proposed a range of actions that could be taken to address groundwater and drinking water contamination, including policy and regulatory changes and funding options. To examine these proposed actions and to "identify specific, creative, viable solutions," in June 2012, Governor Brown convened a Drinking Water Stakeholder Group. The Drinking Water Stakeholder Group, comprised of representatives from, among others, California state and local agencies, the agricultural community, the environmental justice community, academia, and other water-related entities, proposed three "urgent legislative concepts," which were discussed and agreed upon at the August 1, 2012, meeting of the full Stakeholder Group. The Stakeholder Group subsequently submitted an eight-page "Report of the Drinking Water Stakeholder Group," dated August 20, 2012, of which one of the proposed concepts was: "Directly target funding for IRWMs (or other entity where appropriate) to develop an inventory of need and a plan for local solutions (including shared solutions) for disadvantaged communities in unincorporated areas in each hydrologic region of the state as is being used in the Tulare Lake Basin Disadvantaged Community Water Study (SBX2 1 (Perata, 2008)). Begin with the Salinas Valley."

**LAO COMMENTS**

We recommend rejecting this proposal due to lack of sufficient justification. The Greater Monterey County Region, which is identified to receive this funding, applied for an Integrated Regional Water Management planning grant from DWR in its most recent round of grants (July 2012). However, their application was not selected to receive funding for several reasons, including that their proposal did not explain how it would assist disadvantaged communities (DACs). The SWRCB has not provided sufficient justification for why this area should be specially selected for additional planning funding compared to other possible recipients in the state.

**STAFF COMMENTS**

In an email on May 19, 2014, the Coordinator for the Greater Monterey County IRWM Plan provided the following response to concerns raised by the LAO:

"The main reason we didn't receive the Planning Grant in Round 2 is that the purpose of Planning Grant funds was to enable a region to develop or update their IRWM Plan [Integrated Regional Water Management Plan] in order to be compliant with the new Prop 84 standards. We received a Planning Grant in Round 1 for \$755,264 to develop an IRWMP that would be compliant with Prop 84 standards, and our request for additional funding in Round 2 was to augment our Plan and strengthen the planning process. DWR simply didn't see a compelling need for these additional tasks (which were over and beyond making the IRWMP compliant with Prop 84 standards).

It is not correct to say that we didn't receive the funds, in part, because the proposal didn't explain how it would assist DACs. The "problem" is that we had already received Round 1 Planning Grant funds to identify DACs in the region, conduct outreach, and assist them with getting projects into the IRWMP - and we were in the midst of carrying out that work, quite successfully. Our Round 2 request was seen as largely duplicative of the work already being done. We hadn't provided strong enough justification for additional funds."

Given this explanation and the arguments provided in the background section, staff recommends supporting this proposal.

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**Vote-Only Recommendation: Approve May Revision proposal.**

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**3970 DEPARTMENT OF RESOURCE RECYCLING AND RECOVERY**

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**VOTE-ONLY ISSUE 17: BEVERAGE CONTAINER RECYCLING FUND REFORM, PHASE II**

The Governor's Budget proposes 12 positions and \$1.48 million, Beverage Container Recycling Fund (BCRF), and \$1.2 million ongoing to develop and implement Phase II of reforms to the Beverage Container Recycling Program (BCRP), including restructuring administrative and handling fees, a phased elimination of the processing fee offset, creating a Recycling Enforcement Grant Program, and changing the funding sources for local conservation corps payments.

The proposed programmatic changes are expected to result in a net increase to the BCRF annual fund balance of \$72.3 million in 2014–15, growing to \$127 million when fully implemented in 2016–17. The proposal also increases processing fee revenues by roughly \$67.4 million. The administration projects that these changes would eliminate the program's structural deficit once fully implemented and avoid the need to implement proportional reductions.

**STAFF COMMENTS**

The Subcommittee heard and held open this issue on April 9, 2014, due to numerous concerns with the proposal. The Administration has not come to an agreement with the stakeholders.

The Department's most recent Quarterly Report projects that the cash balance of the BCRF will permanently fall below the prudent reserve in January 2016 without additional reforms to the Program. The projected date is four months later than the date indicated in the projection in the October 2013 Quarterly Report.

Since proportional reductions were implemented in 2009, CalRecycle has been under intense scrutiny. The State Auditor conducted an extensive review in 2010 that resulted in numerous operational improvements. The implementation of the recommendations has not resulted in addressing the size of the structural deficit. The Joint Legislative Audit Committee recently approved a request to again audit the Beverage Container Recycling Program to determine the financial condition of the program and examine the programs performance and effectiveness of its anti-fraud measures.

Given the discrepancy in estimates of under-collection, the host of controversial issues, and the shifting drop-dead dates for instituting proportional reduction, staff recommends denying the proposal.

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**Vote-Only Recommendation: Reject proposal.**

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**VOTE-ONLY ISSUE 18: LOCAL CONSERVATION CORPS FUNDING DIVERSIFICATION**

Protecting the Local Conservation Corps has been a priority to the Legislature and the Administration. To ensure that the Corps are protected from proportional reductions and uncertainty in their funding staff recommends the following changes:

- Remove the Corps from Public Resources Code Section 14581 and create a new section for them within the program. This will ensure that the Corps are not subject to proportional reductions.
- Diversify Local Conservation Corps Funding. For FY 2014-2015, replace \$7.5 million of existing Beverage Container Recycling Fund grants to local conservation corps by redirecting a like amount of other special funds to support local corps recycling programs. New funding for local corps programs will be provided by the Tire Recycling Management Fund (\$2.5 million), the Electronic Waste Recovery and Recycling Account (\$4 million), and the Used Oil Recycling Fund (\$1 million). The funds are to be used for education, outreach, collection, processing, cleanup, and related expenses for activities related to e-waste, tires, oil, bottles/cans. This will allow the Corps to gradually transition to the new sources of funding in FY 2015-2016.

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**Vote-Only Recommendation: Approve budget bill language and placeholder trailer bill language, as outlined above, to ensure the Corps are protected from proportional reductions and uncertainty in their funding.**

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**8570 DEPARTMENT OF FOOD AND AGRICULTURE**

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**VOTE-ONLY ISSUE 19: CALIFORNIA ANIMAL HEALTH AND FOOD SAFETY LABORATORY**

The Governor's Budget proposes one-time funding of \$1 million (General Fund) to help offset unfunded salary and benefit increases for positions at the California Animal Health and Food Safety Laboratory System.

**STAFF COMMENTS**

The Subcommittee heard and held open this issue on April 9, 2014, due to concerns about the increased risks and potential introduction of animal diseases into California. The Administration and stakeholders are working to resolve this concern. Thus, staff recommends sending this proposal to conference committee to further discuss the level of resources needed to ensure that the state's surveillance and response system is adequate and capable of identifying and responding to an animal disease outbreak.

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**Vote-only Recommendation: Reduce Governor's Budget proposal by \$1,000 to move to conference committee.**

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**8660 PUBLIC UTILITIES COMMISSION****VOTE-ONLY ISSUE 20: RAILROAD SAFETY: OIL TRANSPORT (SFL)**

The Governor requests seven rail safety inspectors and \$1,081,000 from (PUC Transportation Reimbursement Account) to address new rail safety risks and mandates: two Associate Railroad Track Inspectors for railroad bridge inspections; two Associate Transportation Operations Supervisors for hazardous materials inspections of 1) crude oil trains and 2) containers trains at California's ports; two Associate Railroad Track Inspectors to address the increased wear on tracks and supporting structures; and one Associate Railroad Equipment Inspector to focus on the heavy and high-use tank car trains.

**STAFF COMMENTS**

At the Subcommittee hearing on May 7, 2014, Members requested that the CPUC meet with representatives of Union Pacific and BNSF to discuss their concerns regarding the Administration's request for additional inspection personnel to address the increased rail traffic due to increased shipments of oil, including Bakken crude, by rail. The CPUC reports that that meeting occurred on May 14, 2014, and no consensus was reached on the need for additional inspection resources.

The railroads argue that the increase in rail traffic projections are not materializing as quickly as the Energy Commission predicted and that the CPUC has two current freight railroad inspector vacancies. The railroads believe this "excess capacity in existing inspectors should be utilized before additional inspectors are added."

While the CPUC acknowledges that traffic projections are not materializing as quickly as predicted, it argues that, given the time it takes to recruit, hire, and train inspectors, the time is now to begin the hiring, training, and federal certification process so that the state is well positioned when the significant volumes begin to move.

Given the serious concerns raised by the projected dramatic increase in rail shipments of oil by rail, staff suggests moving the item to conference. This will allow a more comprehensive discussion of the safety concerns and appropriate level of state response.

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**Vote-Only Recommendation: Reduce SFL proposal by \$1,000 to move to conference committee.**

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## ITEM TO BE HEARD

### VARIOUS DEPARTMENTS

#### ISSUE 1: ASSEMBLY CAP AND TRADE PROPOSAL

The Subcommittee will consider the first year of Cap and Trade programmatic funding.

#### BACKGROUND

The Governor has proposed the following Cap and Trade proposal, which have been considered in several hearings by the Subcommittee:

#### Governor's Proposal

Activity	Department	Amount
High-Speed Rail (HSR)	High-Speed Rail Authority	\$250
Intercity Rail Grants	Caltrans	50
Fire Prevention and Urban Forestry	Department of Forestry and Fire Protection (CalFIRE)	50
Waste Diversion	Department of Resources Recycling and Recovery (CalRecycle)	30
Energy Efficiency Upgrades In State Buildings	Department of General Services (DGS)	20
Reducing Agricultural Waste	CDFA	20
Wetlands Restoration	Department of Fish and Wildlife (DFW)	30
Sustainable Communities Grants	Strategic Growth Council (SGC)	100
Low-Income Home Energy Assistance Program	Department of Community Services and Development	80
Low-Emission Vehicle Rebates	California Air Resources Board (CARB)	200
Water Use Efficiency	Department of Water Resources (DWR)	40
<b>Total</b>		<b>\$870 M</b>

In addition, the Governor proposes Trailer Bill Language, which would dedicate one-third of all ongoing Cap and Trade toward High Speed Rail construction. Finally, the \$400 million balance of Cap and Trade funds borrowed by the State General Fund would be dedicated towards High Speed Rail when that loan is repaid.

**STAFF COMMENT**

The Governor's overall proposal has many positive elements and has served as starting point for discussions on how to begin a cap and trade program. However, in hearings, several weaknesses to the Governor's proposal emerged:

1. **Plan Locks in Multi-year Funding Too Early.** There is considerable uncertainty regarding how much Cap and Trade revenue will accrue each year, as the expansion of the fees to fuels will not occur until 2015. Given that figures vary wildly on the amount of revenue collected when that occurs, it seems like dedicating a percentage of this revenue stream to High Speed Rail is premature.
2. **Not enough funding for Local Projects.** Only \$100 million is provided for local projects in a vast range of activities, from housing to transit, to urban forestry, and other local projects identified in local SB 375 plans.
3. **State Projects Receive Less Vetting than Local Projects.** While local projects must compete against other projects at the Strategic Growth Council (SGC) for funding, State departments are not required to demonstrate their benefits as vigorously.
4. **Funding for Transit and Metropolitan Planning Organizations (MPOs) Needed.** When the fuels portion of Cap and Trade becomes operative next year, most of the Cap and Trade revenues are expected to be derived from transportation-related fuel sources. At that time, it will be necessary to recognize this in the State's overall Cap and Trade approach. However, until there is more certainty in the overall revenues, it is too early to develop such a plan. The plan adopted this year should allow for adjustments in 2015-16, so that transit and direct MPO funding can be included moving forward.
5. **The California Environmental Screen is Flawed.** The California Environmental Protection tool to identify disadvantaged communities fails to account for difference in cost of living. As a result, potentially only three census tracts are identified as disadvantaged in the entire Bay Area. This tool must be fixed before it is used to allocate funding.

**Assembly Cap and Trade Plan**

In response, the Assembly has crafted the following plan to continue the discussion on Cap and Trade:

- Assume a total of \$1,040 million in Cap and Trade revenues next year.
- Provide \$1,040 million of Cap and Trade for 2014-15, for a one-year set of programs.

Assembly Plan		
Activity	Department	Amount
State GHG Reductions Activities Program	Strategic Growth Council (SGC)	\$ 400
Sustainable Communities Grants	SGC	400
Low-Emission Vehicle Rebates	CARB	200
Water Use Efficiency	Department of Water Resources (DWR)	40
<b>Total</b>		<b>\$ 1,040 M</b>

**State Greenhouse Gas Reduction Program.** Provides \$400 million for allocation to State departments that are undertaking Greenhouse Gas Reduction Activities through a competitive process administered by the Strategic Growth Council. These funds can be used to fund energy efficiency upgrades to State and public buildings through a revolving fund loans for public buildings, High Speed Rail construction, intercity rail, fire prevention and urban forestry, waste diversion, reducing agricultural waste, wetland restoration, and other activities by State departments that reduce Greenhouse Gas emissions. Departments must meet the same performance criteria as the Sustainable Community Grants and be subject to the same reporting requirements. Overall, these funds must allocate at least 25 percent of total funding to disadvantaged communities, as defined by the Strategic Growth Council. Reject the Administration's BCPs for programmatic funding but allow the Administration to establish positions proposed in the budget, so departments have staff to compete for these funds and expand the Strategic Growth Council staff by three positions, to accommodate the additional workload.

**Sustainable Communities Grants.** Provides \$400 million for allocation to competitive local programs that reduce greenhouse gases through a variety of approaches, as inspired by local SB 375 plans. These proposals will expand upon the Administration's proposal to include additional strategies to reduce greenhouse gas emissions, including affordable housing, urban forestry, forest conservation, carbon farming, transit passes, transit-oriented design, active transportation, and environmental mitigation funding. In addition, the Strategic Growth Council will be able to target a portion of these funds for expansion of Low-Income Home Energy Assistance Program funding. Overall, these funds must allocate at least 50 percent of total funding to disadvantaged communities, as defined regionally by MPOs.

**Low-Emission Vehicle Rebates and Water Use Efficiency.** \$240 million total. Same as the Administration's proposal.

**High Speed Rail Financing.** Authorize the High Speed Rail Authority to borrow up to \$20 billion in federal Railroad Rehabilitation and Improvement Financing (RRIF) loans to construct the High Speed Rail operations segment. In addition, authorize up to \$20 billion in lease-revenue bond authority for the same purpose. Allow the use of Cap and Trade revenue for repayment of either of these mechanisms, assuming it has met the criteria for funding designated by the Strategic Growth Council.

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**Staff Recommendation: Adopt Assembly Cap and Trade Plan.**

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