

AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 3 ON CLIMATE CRISIS, RESOURCES, ENERGY, AND TRANSPORTATION

ASSEMBLYMEMBER RICHARD BLOOM, CHAIR

WEDNESDAY, MARCH 2, 2022
9:30 A.M. – STATE CAPITOL, ROOM 447

NON-PRESENTATION CALENDAR

ITEM	DESCRIPTION	PAGE
8750	DEPARTMENT OF FOOD AND AGRICULTURE	2
3900	AIR RESOURCES BOARD	
ISSUE 1	ALTERNATIVE FUELS QUALITY AND REGULATORY OVERSIGHT	2
8750	DEPARTMENT OF FOOD AND AGRICULTURE	2
ISSUE 2	INDUSTRIAL HEMP PRODUCTS (AB 45)	2
ISSUE 3	SHIPPING POINT INSPECTION FOOD SAFETY	3
ISSUE 4	SPECIALTY CROP BLOCK GRANT PROGRAM	3
ISSUE 5	SUSTAINABLE ANIMAL MORTALITY MANAGEMENT	3
ISSUE 6	VETERINARY MEDICINE: BLOOD BANKS FOR ANIMALS (AB 1282)	4
3600	DEPARTMENT OF FISH AND WILDLIFE	4
ISSUE 7	BIODIVERSITY RESILIENCE PACKAGE – REVERSION AND ONGOING APPROPRIATION	4
ISSUE 8	IMPLEMENTATION OF NESTING BIRD HABITAT INCENTIVE PROGRAM (AB 614)	5
ISSUE 9	REIMBURSEMENT AND FEDERAL TRUST FUND PERMANENT POSITION AUTHORITY	5
ISSUE 10	WILDLIFE CONNECTIVITY ACTIONS: COMPENSATORY MITIGATION CREDITS (SB 790)	6
3600	DEPARTMENT OF FISH AND WILDLIFE	6
3640	WILDLIFE CONSERVATION BOARD	
ISSUE 11	WILDLIFE CONSERVATION BOARD ACCOUNTING	6
3940	STATE WATER RESOURCES CONTROL BOARD	7
ISSUE 12	CALTRANS REIMBURSEMENT AUTHORITY	7
ISSUE 13	LEAD AND COPPER RULE REVISION AND REGULATORY DEVELOPMENT	7
ISSUE 14	OIL AND GAS MONITORING PROGRAM SUPPLEMENT FOR EXISTING UNDERGROUND INJECTION CONTROL (UIC) PROJECT REVIEW	8
ISSUE 15	SAN DIEGO COUNTY PRIMACY DELEGATION AGREEMENT TERMINATION	8
3860	DEPARTMENT OF WATER RESOURCES	9
ISSUE 16	SALTON SEA TECHNICAL CLEAN UP TRAILER BILL	9
ISSUE 17	ADVANCING ESSENTIAL OPEN DATA FOR TRANSPARENCY AND WATER RESILIENCE (AB 1755)	10
ISSUE 18	BRYTE CHEMICAL LABORATORY ELAP ACCREDITATION SUPPORT	10
ISSUE 19	CENTRAL VALLEY FLOOD MANAGEMENT AND ECOSYSTEM CONSERVATION	10

ISSUE 20	CENTRAL VALLEY FLOOD PROTECTION BOARD - PERMITTING AND ENFORCEMENT BRANCH SUPPORT REIMBURSABLE AUTHORITY	11
ISSUE 21	CENTRAL VALLEY FLOOD PROTECTION BOARD ELECTRONIC ENCROACHMENT APPLICATION AND PERMIT PROCESS IMPROVEMENT PROGRAM	11
ISSUE 22	CENTRAL VALLEY FLOOD PROTECTION BOARD: SACRAMENTO AND SAN JOAQUIN DRAINAGE DISTRICT PROPERTY MAINTENANCE AND COOPERATIVE MANAGEMENT OF LANDS	12
ISSUE 23	CLIMATE CHANGE ADAPTATION AND EQUAL ACCESS INVESTMENT FOR STATEWIDE FLOOD MANAGEMENT	12
ISSUE 24	DELTA LEVEE INTEGRITY, FLOOD EMERGENCY PREPAREDNESS, AND CLIMATE RESILIENCY	13
ISSUE 25	OFFICE OF WORKFORCE EQUALITY STAFFING	13
ISSUE 26	RIVERINE STEWARDSHIP RESTORATION ACTIVITIES (PROP 13)	13
ISSUE 27	STATE WATER PROJECT TRANSACTIONS	14

ITEMS TO BE HEARD

ITEM	DESCRIPTION	PAGE
	VARIOUS	14
ISSUE 1	DROUGHT RESILIENCE AND RESPONSE PACKAGE	14
3940	STATE WATER RESOURCES CONTROL BOARD	32
ISSUE 2	BAY DELTA PROGRAM FUNDING CONVERSION AND POSITION AUTHORITY	32
ISSUE 3	IMPLEMENTATION UPDATE ON THE WATER AND WASTEWATER ARREARAGE PAYMENT PROGRAM	36
8750	DEPARTMENT OF FOOD AND AGRICULTURE	38
ISSUE 4	FARM TO SCHOOL PROGRAM	38
ISSUE 5	STATE ORGANIC PROGRAM OUTREACH AND EDUCATION	42
3600	DEPARTMENT OF FISH AND WILDLIFE	43
ISSUE 6	VARIOUS PROPOSALS TIED TO SERVICE BASED BUDGETING	43
ISSUE 7	CANNABIS LICENSURE, SAFETY, AND QUALITY ASSURANCE (AB 141)	46

Public Comment

The public may attend this hearing in person or participate by phone. Any member of the public attending this hearing will need to wear a mask at all times while in the building location. This hearing can be viewed via live stream on the Assembly's website at <https://assembly.ca.gov/todaysevents>.

We encourage the public to provide written testimony before the hearing. Please send your written testimony to: BudgetSub3@asm.ca.gov. Please note that any written testimony submitted to the committee is considered public comment and may be read into the record or reprinted.

*A moderated telephone line will be available to assist with public participation. The public may provide comment by calling the following toll-free number: **877-692-8957 / Access Code: 131 54 47.***

NON-PRESENTATION ITEMS

8750 DEPARTMENT OF FOOD AND AGRICULTURE 3900 CALIFORNIA AIR RESOURCES BOARD

ISSUE 1: ALTERNATIVE FUELS QUALITY AND REGULATORY OVERSIGHT

The Governor's budget requests \$1.451 million Cost of Implementation Account (COIA) in 2022-23 and \$1.363 million COIA ongoing to: (1) expand CDFA's Alternative Fuels Quality and Regulatory Oversight Program (CDFA Program); (2) support the growth of alternative transportation fuels and associated fuel dispensing systems; (3) continue research in zero-emission fuel standards and standard method development; and, (4) implement the zero-emission vehicle program as identified in the 2014 and 2017 CARB Scoping Plan and directed by Executive Orders B-48-18 and N-79-20. Of the total, CDFA requests \$681,000 in 2022-23 and \$593,000 in 2023-24 and ongoing to support 3.3 existing permanent positions. CARB requests \$771,000 in 2022-23 and ongoing to support 3.0 new permanent positions, equipment, and operating expenses associated with testing new fuel dispensing systems.

Staff Recommendation: Hold Open.

8750 DEPARTMENT OF FOOD AND AGRICULTURE

ISSUE 2: INDUSTRIAL HEMP PRODUCTS (AB 45)

The Governor's budget requests \$150,000 General Fund and one position in 2022-23 and ongoing to provide adequate staffing for the planning and administration of the Industrial Hemp program and to administer the activities required by Chapter 576, Statutes of 2021 (Assembly Bill 45).

Staff Recommendation: Hold Open.

ISSUE 3: SHIPPING POINT INSPECTION FOOD SAFETY

The Governor's budget requests five positions in 2022-23 and ongoing to support the mission-critical enhancement of the Shipping Point Inspection Program. This program is fully funded by continuously appropriated Department of Food and Agriculture Fund, so this request does not require additional Budget Act expenditure authority. The requested positions will develop a more robust food safety auditing program in California and increase the state's ability to reduce food-borne illness and support a safe food supply, in accordance with CDFA's Strategic Plan.

Staff Recommendation: Hold Open.

ISSUE 4: SPECIALTY CROP BLOCK GRANT PROGRAM

The Governor's budget requests technical adjustment of \$10,002,000 in additional Federal Fund authority in 2022-23 and ongoing to administer the Specialty Crop Block Grant Program (SCBGP) funding for California.

This adjustment is necessary due to California receiving an additional \$31.6 million for the program under the 2018 Federal Farm Bill; California currently receives—and CDFA is budgeted for—\$23 million annually for the SCBGP and up to \$3 million for Specialty Crop Multi-State projects, and CDFA anticipates that these new project funds will be awarded/expended over three fiscal years.

Staff Recommendation: Hold Open.

ISSUE 5: SUSTAINABLE ANIMAL MORTALITY MANAGEMENT

The Governor's budget requests \$287,000 General Fund and one position in 2022-23 and ongoing to establish a statewide framework for handling animal mortalities in a manner that mitigates the risks to human and animal health, while enhancing stewardship of the environment and promoting California's agriculture.

Staff Recommendation: Hold Open.

ISSUE 6: VETERINARY MEDICINE: BLOOD BANKS FOR ANIMALS (AB 1282)

The Governor's budget requests five positions in 2022-23 and ongoing, \$1,127,000 in 2023-24 (\$800,000 General Fund and \$327,000 Department of Food and Agriculture Fund), and \$1,082,000 Department of Food and Agriculture Fund in 2024-25 and ongoing to implement Chapter 752, Statutes of 2021 (Assembly Bill 1282).

STAFF COMMENTS

Given that the Legislature appropriated \$1 million for implementation of this bill in last year's budget, this Subcommittee may wish to ask for a status update on the implementation of this bill and clarity on why the BCP alludes to these funds not being utilized until fiscal year 2022-2023.

Staff Recommendation: Hold Open.

3600 DEPARTMENT OF FISH AND WILDLIFE

ISSUE 7: BIODIVERSITY RESILIENCE PACKAGE – REVERSION AND ONGOING APPROPRIATION

The Governor's budget requests an amendment to the Fiscal Year (FY) 2021-22 Biodiversity Resilience Package. This amendment requests to revert \$48 million General Fund of the \$64.6 million that was originally approved (\$59.6 million General Fund and \$5 million Environmental License Plate Fund). The amendment would also provide the Department with \$12 million in ongoing General Fund beginning FY 2022-23 to support the 39.0 permanent positions that were originally authorized in the FY 2021-22 Biodiversity Resilience Package.

STAFF COMMENTS

This request is consistent with this Subcommittee's action from last year.

Staff Recommendation: Absent member questions or input from the public at this hearing, Staff recommends this item be considered for a vote-only calendar when the Committee takes action.

ISSUE 8: IMPLEMENTATION OF NESTING BIRD HABITAT INCENTIVE PROGRAM (AB 614)

The Governor's budget requests 1.0 permanent position and \$699,000 in Fiscal Year (FY) 2022-23, and \$1.2 million ongoing from the newly established Nesting Bird Habitat Incentive Program Account, Fish and Game Preservation Fund to address the workload associated with the implementation of Assembly Bill (AB) 614. AB 614 provides support to the Nesting Bird Habitat Incentive Program (NBHIP) as outlined in Fish and Game Code Section 3480. Implementation of this program supports the reversal of the long-term decline of many bird and pollinator species that rely on upland habitat in the Central Valley of California.

AB 614 provides funding for the NBHIP by adding an additional cost of \$10 to both upland game bird and California duck validations. Funds generated from the increased fees will be deposited into a newly established Nesting Bird Habitat Incentive Program Account, Fish and Game Preservation Fund and will subsequently be used to implement the NBHIP. The NBHIP aims to increase the amount of nesting habitat in California by incentivizing the establishment of upland nesting cover and pollinator habitat on private and public lands and incentivizing the delay of harvest on wildlife-friendly agricultural crops, such as winter wheat.

Staff Recommendation: Absent member questions or input from the public at this hearing, Staff recommends this item be considered for a vote-only calendar when the Committee takes action.

ISSUE 9: REIMBURSEMENT AND FEDERAL TRUST FUND PERMANENT POSITION AUTHORITY

The Governor's budget requests 10.0 positions (permanent position authority only) ongoing to replace the temporary positions used to complete work historically funded by long-term reimbursement agreements or federal grants.

Staff Recommendation: Absent member questions or input from the public at this hearing, Staff recommends this item be considered for a vote-only calendar when the Committee takes action.

ISSUE 10: WILDLIFE CONNECTIVITY ACTIONS: COMPENSATORY MITIGATION CREDITS (SB 790)

The Governor's budget requests 3.0 permanent positions and \$717,000 in General Fund in Fiscal Year (FY) 2022-23, and 2.0 additional permanent positions and \$1.1 million in FY 2023-24 and ongoing to address the workload associated with the implementation of Senate Bill (SB) 790. SB 790 adds new provisions to the Fish and Game Code to authorize the Department to provide compensatory mitigation credits for wildlife connectivity actions for projects that improve habitat connectivity or wildlife migration.

Staff Recommendation: Absent member questions or input from the public at this hearing, Staff recommends this item be considered for a vote-only calendar when the Committee takes action.

3600 DEPARTMENT OF FISH AND WILDLIFE
3640 WILDLIFE CONSERVATION BOARD

ISSUE 11: WILDLIFE CONSERVATION BOARD ACCOUNTING

The Governor's budget requests 4.0 permanent positions and \$741,000 in Reimbursement authority in Fiscal Year (FY) 2022-23, and \$697,000 ongoing to expand existing staff resources, which provide contracted accounting services for the Wildlife Conservation Board (WCB). WCB will utilize various continuously appropriated bond funds to cover the cost of the contracted positions.

Staff Recommendation: Absent member questions or input from the public at this hearing, Staff recommends this item be considered for a vote-only calendar when the Committee takes action.

3940 STATE WATER RESOURCES CONTROL BOARD

ISSUE 12: CALTRANS REIMBURSEMENT AUTHORITY

The Governor's budget requests an increase reimbursement authority of \$288,000 and 2.0 position authority funded through an interagency agreement with Caltrans, which was executed in 2021 (Contract Number 43A0405). The increase in workload is due to an increased number of transportation projects funded by SB 1 and the forthcoming federal INVEST in America Act. Funding for this work was provided to Caltrans in the FY 2019-20 budget.

Staff Recommendation: Absent member questions or input from the public at this hearing, Staff recommends this item be considered for a vote-only calendar when the Committee takes action.

ISSUE 13: LEAD AND COPPER RULE REVISION AND REGULATORY DEVELOPMENT

The Governor's budget requests \$952,000 and 5.0 new positions in FY 22-23 from the Safe Drinking Water Account. Of that amount, the Division of Drinking Water (DDW) proposes 3.0 positions in its Technical Operations Section, Regulatory Development Unit (RDU) to reduce the rulemaking backlog and develop the LCRR and other new regulations, including addressing the 30+ unregulated contaminants with notification levels, and approximately 60 MCLs higher than the corresponding public health goals. The 2.0 IT positions are needed to develop the database to intake lead and copper data in compliance with the federal revised lead and copper rule (LCRR).

Staff Recommendation: Absent member questions or input from the public at this hearing, Staff recommends this item be considered for a vote-only calendar when the Committee takes action.

ISSUE 14: OIL AND GAS MONITORING PROGRAM SUPPLEMENT FOR EXISTING UNDERGROUND INJECTION CONTROL (UIC) PROJECT REVIEW

The Governor's budget requests 10.0 permanent positions and \$2.04 million from the Oil, Gas, and Geothermal Administrative Fund to work with the California Geologic Energy Management Division (CalGEM) in its review of active Class II Underground Injection Control (UIC) projects, prioritizing those with pending aquifer exemption proposals with overlying beneficial use groundwater, to ensure these projects comply with the federal Safe Drinking Water Act (SDWA) and applicable state statutes and regulations, safeguarding groundwater resources. On October 15, 2021, the state of California made a commitment to evaluate potential conduits in the remaining aquifer exemption proposals with overlying beneficial use groundwater by September 2022.

Staff Recommendation: Absent member questions or input from the public at this hearing, Staff recommends this item be considered for a vote-only calendar when the Committee takes action.

ISSUE 15: SAN DIEGO COUNTY PRIMACY DELEGATION AGREEMENT TERMINATION

The Governor's budget requests \$911,000 to support 4.0 permanent positions (3.0 Water Resource Control Engineers and 1.0 Senior Water Resource Control Engineer) in the Safe Drinking Water Account to carry out the public small water system (SWS) regulatory program for San Diego County. The County's Primacy Delegation will be terminated no later than June 30, 2022, per request of the County, and oversight of the delegated public water systems is in the process of being transferred to the State Water Board.

Staff Recommendation: Absent member questions or input from the public at this hearing, Staff recommends this item be considered for a vote-only calendar when the Committee takes action.

3860 DEPARTMENT OF WATER RESOURCES

ISSUE 16: SALTON SEA TECHNICAL CLEAN UP TRAILER BILL

The Governor's budget requests statutory changes to Sections 10204 and 10214 of the Public Contract Code in order to extend existing law on design build contracts to include projects at the Salton Sea.

SECTION 1. Section 10204 of the Public Contract Code is amended to read:

10204. (a) (1) Notwithstanding any other law, the director, following any required notification made pursuant to Section 10206, may procure design-build contracts for public works projects in excess of one million dollars (\$1,000,000) that are at the Salton Sea or that are necessary for the construction, maintenance, or operation of elements of State Water Facilities, as defined in Section 12934 of the Water Code, and may award the contract using either the low bid or best value, provided that this article shall not apply to any projects on the state highway system.

(2) Notwithstanding paragraph (1), this article does not apply to the design or construction of through-Delta water conveyances in the Sacramento-San Joaquin Delta.

(b) The director shall develop guidelines for a standard organizational conflict-of-interest policy, consistent with applicable law, regarding the ability of a person or entity, that performs services for the department relating to the solicitation of a design-build project, to submit a proposal as a design-build entity, or to join a design-build team. This conflict-of-interest policy shall apply to each department entering into design-build contracts authorized under this article.

SEC. 2. Section 10214 of the Public Contract Code is amended to read:

10214. (a) ~~The authority to perform water resources projects~~ procure design-build contracts for State Water Facilities, as defined in Section 12934 of the Water Code, pursuant to this article is for no more than seven projects.

(b) This article shall remain in effect only until January 1, 2033, and as of that date is repealed.

- 0 -

Staff Recommendation: Absent member questions or input from the public at this hearing, Staff recommends this item be considered for a vote-only calendar when the Committee takes action.

ISSUE 17: ADVANCING ESSENTIAL OPEN DATA FOR TRANSPARENCY AND WATER RESILIENCE (AB 1755)

The Governor's budget requests \$750,000 per year from the Environmental License Plate Fund (ELPF) for three years, beginning fiscal year (FY) 2022-23, for the California Water Data Consortium (CWDC). The funding would be administered by DWR to support CWDC efforts to assist DWR in advancing open and transparent water data to address California's most pressing water management challenges. DWR also requests an additional \$1.1 million ELPF per year, beginning FY 2023-24 and ongoing, to address critical open water data needs and expectations, including DWR's necessary collaboration with the California Water Data Consortium (CWDC).

Staff Recommendation: Absent member questions or input from the public at this hearing, Staff recommends this item be considered for a vote-only calendar when the Committee takes action.

ISSUE 18: BRYTE CHEMICAL LABORATORY ELAP ACCREDITATION SUPPORT

The Governor's budget requests 4 permanent fulltime positions and \$1 million ongoing funded by various funds. These positions are essential for Bryte Chemical Laboratory (Bryte) to maintain Environmental Laboratory Accreditation Program (ELAP), which is required for environmental labs generating data for regulatory decision making. These positions will provide support needed to maintain continued compliance with State Water Resource Control Board regulations over environmental laboratories providing data for regulatory purposes.

Staff Recommendation: Absent member questions or input from the public at this hearing, Staff recommends this item be considered for a vote-only calendar when the Committee takes action.

ISSUE 19: CENTRAL VALLEY FLOOD MANAGEMENT AND ECOSYSTEM CONSERVATION

The Governor's budget requests \$28.5 million General Fund for 2022-23 for the following activities: (1) position authority for 6 positions to perform flood operation and maintenance activities; (2) \$1 million to complete and close-out the 2022 Central Valley Flood Protection Plan; and, (3) \$27.5 million to create an endowment for long-term maintenance of a habitat mitigation site in the expanded Yolo Bypass.

Staff Recommendation: Absent member questions or input from the public at this hearing, Staff recommends this item be considered for a vote-only calendar when the Committee takes action.

**ISSUE 20: CENTRAL VALLEY FLOOD PROTECTION BOARD - PERMITTING AND ENFORCEMENT BRANCH
SUPPORT REIMBURSABLE AUTHORITY**

The Governor's budget requests reimbursable authority of \$1,089,000 annually through fiscal year (FY) 2024-25 for the Board's work on the American River Common Features (ARCF) 2016 levee improvement project through the current contract with the Sacramento Area Flood Control Agency (SAFCA). The previously approved request for reimbursable authority covered the first 2 years, requiring this request to fund the next three years (FY 2022-23, 2023-24, 2024-25) to continue the work on this high priority public safety project with SAFCA and the United States Army Corps of Engineers (USACE).

Staff Recommendation: Absent member questions or input from the public at this hearing, Staff recommends this item be considered for a vote-only calendar when the Committee takes action.

**ISSUE 21: CENTRAL VALLEY FLOOD PROTECTION BOARD ELECTRONIC ENCROACHMENT APPLICATION
AND PERMIT PROCESS IMPROVEMENT PROGRAM**

The Governor's budget requests \$500,000 one-time General Fund to develop and implement an online application submittal program for FY 2022-23. The new program will provide more accurate and efficient permit application processing by reducing processing times and improving customer service.

Staff Recommendation: Absent member questions or input from the public at this hearing, Staff recommends this item be considered for a vote-only calendar when the Committee takes action.

ISSUE 22: CENTRAL VALLEY FLOOD PROTECTION BOARD: SACRAMENTO AND SAN JOAQUIN DRAINAGE DISTRICT PROPERTY MAINTENANCE AND COOPERATIVE MANAGEMENT OF LANDS

The Governor's budget requests \$679,000 ongoing baseline General Fund beginning in 2022-23 and one permanent fulltime position to manage resource agreements with cities and counties in the Central Valley for abatement of existing hazardous conditions on Sacramento and San Joaquin Drainage District (SSJDD) land within the Board's jurisdiction. The request includes one Senior Right of Way Agent and funding for assessments and minimal maintenance, consistent with prior actual nuisance orders. This effort engages local jurisdictions and tribal governments in comprehensive land management activities and partnership opportunities. These lands are currently not managed or are outside of the responsibility of the local maintaining agency. Additionally, the support will be applied to advancing the Governor's Statement of Administrative Policy Native American Ancestral Lands, which seeks to support Californian tribes' co-management and access to ancestral natural land under the ownership and control of the State of California, and to work cooperatively with California tribes that are interested in acquiring natural lands in excess of State needs.

Staff Recommendation: Absent member questions or input from the public at this hearing, Staff recommends this item be considered for a vote-only calendar when the Committee takes action.

ISSUE 23: CLIMATE CHANGE ADAPTATION AND EQUAL ACCESS INVESTMENT FOR STATEWIDE FLOOD MANAGEMENT

The Governor's budget requests \$6.268 million ongoing baseline General Fund starting in fiscal year 2022-23 and two new permanent fulltime positions to provide support to continue the work of the Division of Flood Management (DFM) Hydrology and Flood Operations Branch in the utilization of proven emerging technologies to base operational decisions on during periods of flood and drought. This request continues to support the water priorities identified in the Governor's Water Resilience Portfolio (WRP) including long-term capacity to anticipate drought and prepare for flood events.

Staff Recommendation: Absent member questions or input from the public at this hearing, Staff recommends this item be considered for a vote-only calendar when the Committee takes action.

ISSUE 24: DELTA LEVEE INTEGRITY, FLOOD EMERGENCY PREPAREDNESS, AND CLIMATE RESILIENCY

The Governor's budget requests \$18.5 million over three years from the Water Quality, Supply, and Infrastructure Improvement Act of 2014 (Proposition 1, Chapter 11, Section 79781(d)) (\$15.5 million in State Operations and \$3 million in Local Assistance). This includes developing a comprehensive Delta Flood Emergency Management Plan, building state-of-the-art emergency material transfer facilities in the Delta, and procuring stockpiles of flood fight materials to support local flood emergency response. It also includes \$3 million for the Delta Flood Emergency Response Grant Program for the fiscal year 2024-25. This funding will provide grant funding to local California public agencies within the legal Delta with primary responsibility for flood emergency response and coordination.

Staff Recommendation: Absent member questions or input from the public at this hearing, Staff recommends this item be considered for a vote-only calendar when the Committee takes action.

ISSUE 25: OFFICE OF WORKFORCE EQUALITY STAFFING

The Governor's budget requests \$236,000 ongoing across various funding sources and two permanent full-time positions to support equal employment opportunity investigation timelines and implement new training and program requirements.

Staff Recommendation: Absent member questions or input from the public at this hearing, Staff recommends this item be considered for a vote-only calendar when the Committee takes action.

ISSUE 26: RIVERINE STEWARDSHIP RESTORATION ACTIVITIES (PROP 13)

The Governor's budget requests \$6.5 million in Local Assistance and State Operations from the Safe Drinking Water, Clean Water, Watershed Protection, and Flood Protection Act, California Water Code Section 79205.6, to support the Riverine Stewardship Program activities. Funds will support one existing position to provide support to Local Assistance direct expenditure grants consistent with Water Code Section 79205.6 and 7049. This request will provide Local Assistance to various water and reclamation districts and cities in the Delta Export Service Area and counties included within the Association of Bay Area Governments.

Staff Recommendation: Absent member questions or input from the public at this hearing, Staff recommends this item be considered for a vote-only calendar when the Committee takes action.

ISSUE 27: STATE WATER PROJECT TRANSACTIONS

The Governor's budget requests 5 permanent fulltime positions to be funded by the State Water Project. There are currently no resources available, within the Water Project Bill Processing and Analysis Office, needed to review and analyze each State Water Project (SWP) funded transaction posted in the Department's accounting system.

Staff Recommendation: Absent member questions or input from the public at this hearing, Staff recommends this item be considered for a vote-only calendar when the Committee takes action.

ITEMS TO BE HEARD**VARIOUS****ISSUE 1: DROUGHT RESILIENCE AND RESPONSE PACKAGE**

The Governor's budget requests \$500 million one-time General Fund to support drought resilience and response, including water conservation, groundwater recharge, and assistance for small farmers whose needs have grown more acute with extended dry conditions.

Funding is requested as follows:

- \$25 million for the State Water Efficiency and Enhancement Program and drought relief through the California Department of Food & Agriculture;
- \$335 million for water conservation programs, groundwater recharge, technical assistance for agriculture water suppliers, and urban and small community drought relief through the Department of Water Resources;
- \$75 million to mitigate immediate drought damage to fish and wildlife resources and build resilience of natural systems through the Department of Fish and Wildlife;
- \$40 million to continue the Multi-Benefit Land Repurposing Program through the Department of Conservation; and,
- \$25 million for regional and county-based drought emergency response through the State Water Resources Control Board.

Additionally, the Governor's budget summary includes \$250 million set aside as a drought contingency to be allocated as part of the spring budget process.

PANEL

The following individuals will participate virtually in the discussion of this issue:

- Wade Crowfoot, Secretary, Natural Resources Agency
- Karen Ross, Secretary, Department of Food and Agriculture
- Eileen Sobeck, Executive Director, State Water Resources Control Board
- Brian Fuller, Staff Finance Budget Analyst, Finance
- Krystal Acierto, Principal Program Budget Analyst, Finance
- Rachel Ehlers, Principal Fiscal & Policy Analyst, Legislative Analyst's Office

BACKGROUND

Below are descriptions of the various programs proposed to be funded in the BCP.

California Department of Food and Agriculture

Drought Relief for Small Farmers (\$5 million). This funding will provide mobile irrigation labs, land-use mapping and imagery, irrigation education, and direct assistance to small farmers and ranchers who have experienced water cost increases of more than 50 percent. This program will provide critical technical assistance to small-scale farmers and ranchers to mitigate ongoing drought issues. The program will also provide direct economic/drought relief grants to small-scale farmers and ranchers who have experienced water cost increases of more than 50 percent. Funding will be used to administer grants to Resource Conservation Districts (RCDs), universities, nonprofits, and tribes to provide technical assistance for on-farm water use efficiency, including, but not limited to irrigation and nutrient management training, Mobile Irrigation Labs to perform on-site pump and irrigation efficiency tests, and training. Local, experienced RCD technical assistance providers partner with growers to identify and implement efficiency improvements in existing irrigation systems.

What is a small scale farmer? CDFA currently utilizes the USDA definition of a small-scale farmer. USDA defines small farms as having gross cash farm income (GCFI) of less than \$350,000. Mid-sized farms are defined as operations having GCFI of \$350,000 - \$999,999. CDFA recognizes that the USDA definitions do not appropriately take into account the wide diversity of crops grown in California that are not grown in other states and the array of farm sizes and inputs. CDFA will be doing extensive stakeholder outreach and discussions on this definition, starting with the CDFA State Board meeting in February, designed to ensure that the Department has a definition that is appropriate for the diversity in crops, scales of farms, marketing channels and diversity of producers in this state.

State Water Efficiency and Enhancement Program (\$20 million). (SWEEP) was established in 2014 as part of a larger effort to address the drought in California. The purpose of SWEEP is to provide financial incentives to agricultural operations to invest in water irrigation treatment and distribution systems that will reduce greenhouse gas emissions, as well as reduce water and

energy use, augment water supply, and increase water and energy efficiency in agricultural applications. Eligible technologies include (among others) soil moisture monitoring, drip irrigation systems, low pressure irrigation systems, pump retrofits, variable frequency drives, and installation of renewable energy to reduce on-farm water use and energy. The program also addresses other high priority environmental issues, such as groundwater sustainability and water quality protection. SWEEP prioritizes funding to socially disadvantaged farmers and ranchers and farms in priority populations. Since 2014, SWEEP has funded 828 projects with \$80.5 million, which has allowed efficient irrigation systems and water distribution technologies to be implemented on almost 134,000 agriculture acres. These projects have an estimated water savings of 1.15 million acre-feet and GHG emission reductions of 800,773 MTCO₂e over 10 years. The program is oversubscribed on average by 279 percent, which means that many eligible farmers do not receive funding due to a lack of funds available for the program. As part of the 2021 Budget, SWEEP received \$75 million in 2021-22 and \$85 million in 2022-23. However, CDFA expects to fully encumber those funds and requests an additional \$20 million for SWEEP as part of this proposal.

California Department of Water Resources (DWR)

Water Conservation Programs (\$180 million).

- \$100 million for grants and technical assistance for Water Conservation Planning and Projects by urban and small water suppliers.
 - \$75 million will be made available in grants and technical assistance for urban suppliers' implementation of new water use efficiency requirements, improved drought resiliency, and other related advances. Funding will support urban water use efficiency projects that result in water savings, water quality improvement, and energy efficiency. Example projects include water loss audits, leak detection and repair, and system distribution performance improvement projects.
 - Another \$25 million will support grants, directed expenditures, and technical assistance to address the conservation and water efficiency needs of small and rural communities.
- \$5 million to map and measure commercial and industrial landscapes as required by AB 1668 (2018) and simplify the Model Water Efficient Landscape Ordinance as required by CWC section 65596.5, provide training to small water systems and counties to use the drought vulnerability tool, and provide other data and assistance as needed to reduce local drought vulnerability.
- \$75 million for turf replacement. DWR will grant these funds to local agencies or contract directly with other state entities, increasing the availability of incentives for homeowners, businesses, and municipalities to replace ornamental turf with more climate-resilient and community enhancing alternatives. The \$75 million will support grants to water suppliers and other interested parties and potentially direct contracts with other state entities including the California Conservation Corps to continue or initiate new turf replacement programs and facilitate direct installation of resilient and regionally appropriate landscapes.

Urban and Small Community Drought Relief (\$120 million).

- **\$60M Urban Community Drought Relief.** There has been extremely high demand for funding under DWR's 2021 Urban and Multi-benefit Drought Relief Program. Grant applications received in the first two months of the program totaled \$1.1 billion in requests (for the \$300 million available from the FY 21-22 Budget appropriation) for over 200 projects. The proposed \$60 million will augment the existing local assistance grant program. Priority will be given to applications that address emergencies and Human Right to Water related needs. Eligible projects will improve overall local and regional water management efficiency and resilience and help meet urban community water use objectives. Example projects include infrastructure rehabilitation, interties, intake structures, leak detection, water loss audits, recycled water systems, water demand reduction incentives, advanced/smart metering systems, landscape irrigation efficiency improvements, stormwater capture/retention, groundwater recharge, groundwater treatment, groundwater supply and wells, drinking water system consolidation, and water supply forecasting.
- **\$60M Small Water Suppliers Drought Relief.** The Small Communities Drought Relief Program has received requests that far exceed the FY 21-22 Budget appropriation. The program was allocated \$200 million in July 2021 and has received nearly 120 applications for more than \$310 million. As of late December, DWR has funded 48 of those applications for a total of \$90+ million, the majority in direct support of underrepresented communities. DWR continues to evaluate existing applications and assist tribes with their unique drought-related needs. Funded projects have included support for emergency water supplies, new wells and well rehabilitation, leaky water line replacement, system interties, enhancements, and consolidations, water treatment and new water source development. With this request, DWR will continue the program and address many existing drought needs that otherwise would go unmet.

Technical Assistance for Agricultural Water Suppliers (\$5 million). Agriculture accounts for approximately 80 percent of all the water used in California, and even small improvements in farm and ranch water use efficiency can be significant. Funding will enable DWR to work with the agricultural community and other stakeholders to provide technical assistance to improve agricultural water use efficiency and management through mobile irrigation labs to assess on-farm irrigation efficiency and identify improvements; land use mapping and imagery to accurately estimate water demand and water use; and irrigation education to encourage efficient irrigation system operation.

Groundwater Recharge (\$30 million). This proposal requests grant funding to local public agencies to support planning, engineering, water-availability analyses, and construction for groundwater recharge projects that support the implementation of the Sustainable Groundwater Management Act (SGMA). SGMA requires groundwater sustainability agencies (GSAs) to prepare groundwater sustainability Plans (GSPs) that meet their groundwater basin sustainability goals within 20 years of GSP adoption. All GSPs must identify projects and management actions that will support plan implementation. Preliminary cost estimates for implementing these project and management actions total billions of dollars, with groundwater recharge projects making up a large percentage of project type. Recharge projects divert surface

water to nearby farmland/open space. For example, during times of high river flows and heightened flood risk, diverted flows are contained and allowed to recharge back into the groundwater basins. DWR has long recognized the significance that recharge projects can have in meeting the State's groundwater sustainability goals and, as part of its technical assistance role under SGMA, has invested millions of dollars in Proposition 68 funds to conduct Airborne Electromagnetic Surveys designed to map out the best recharge areas. The first phase of DWR's surveys is complete, which puts the State in an ideal position of being able to identify the most effective locations to construct recharge projects with the requested budget.

California Department Fish and Wildlife

Mitigating immediate drought impacts to fish and wildlife resources and building the resilience of natural systems (\$46.8 million).

- **Terrestrial and Aquatic Wildlife.** Continued drought conditions will impact aquatic amphibians, reptiles, vernal pool invertebrates, and wetland-dependent birds and mammals in arid environments. Interventions such as translocations, temporary captivity, and water augmentation will be increasingly needed under continued drought conditions. The ability of CDFW to rehabilitate and hold animals at risk of dying due to lack of suitable habitat or access to water, malnutrition, exposure to disease outbreak, or a combination thereof until conditions in the wild return to a more favorable status is limited by facilities and specific species needs. The funding in this proposal will allow CDFW to partner with wildlife care facilities, universities, zoos, and other similar partners to find appropriate relief measures or temporary housing. This funding will also allow CDFW to conduct vulnerability assessments for drought-sensitive species and identify where interventions are likely to be needed in the coming year. These interventions include strategies like expanding wildlife drinkers to increase capacity for survival of upland species. Contingencies for translocation and captive rescue are expected for Sierra Nevada yellow-legged frogs, foothill yellow-legged frogs, California red-legged frogs, Santa Cruz long-toed salamander, California tiger salamander, blunt-nosed leopard lizards, western pond turtle, and Amargosa vole. This funding will also support CDFW's ability to improve response for these vulnerable species through development and refinement of internal policies for wildlife translocation and captive rescue.
- **Voluntary Drought Efforts.** CDFW continues to engage with the State Water Board, the Department of Water Resources, federal agencies, local landowners, and water districts to encourage voluntary efforts to address and minimize drought impacts to fish and wildlife. This includes working on requests for temporary modifications to existing permits and licenses, curtailments, emergency regulations, water transfers, and variance requests to the State Water Board. CDFW anticipates that emergency regulations for fisheries flows may continue to be needed in 2022 in the Russian, Mill, Deer, Scott, Shasta, and Butte watersheds. This funding will allow CDFW to continue participation in these efforts, including the implementation of the Voluntary Drought Initiative that provides landowner incentives to reduce or adjust water diversions to protect instream flows.
- **Habitat.** A key component to building resiliency for imperiled species is to continue efforts to provide and restore habitat. Specifically, for salmon, recovery will depend upon access

to historical cold-water habitat upstream of dams in areas where rivers are free flowing and provide cold water from snow melt runoff. To create new populations and provide access to this historical habitat, salmon and steelhead must be moved around a series of dams on the Sacramento, McCloud, Feather, and Yuba rivers through various methods. In 2021, CDFW allocated funding to restoration partners for 24 projects that supported increased habitat for shorebirds, waterfowl, and threatened and endangered species across California. This funding will support investment in fish and wildlife passage projects, increased habitat for fish and wildlife, and the development and assessment of planning documents to guide restoration.

- **Human Wildlife Conflict.** California, with a population of nearly 40 million people, has more than 6,500 wildlife interactions each year, sometimes with unfortunate outcomes. Wildlife interactions with humans increase during drought as natural food supplies and water sources diminish. CDFW is investing in equipment, technology, facilities, personnel, and process improvements to mitigate the effects of drought, respond to human-wildlife conflict, and support long-term biodiversity resilience. Funding will allow CDFW to advance its response in several key areas, including: (1) strategic allocation of equipment and staffing across the state, including partnering with veterinarians and rehabilitation facilities; (2) targeted monitoring efforts for human-wildlife conflict to trap, tag, or haze nuisance animals that have or may create conflict; and, (3) increased capacity for wildlife disease surveillance.

Improve Drought Resiliency on State-owned and Partnership Lands (\$15.4 million).

- **State-owned Lands.** Many of CDFW's wildlife areas have water conveyance infrastructure that has completely failed or is operating at extremely inefficient levels. In 2021, CDFW prioritized many of these needs and entered into agreements to complete over \$10 million in water conveyance and habitat projects on CDFW lands that are designed to modernize existing infrastructure and improve long-term drought resilience. These projects directly increase CDFW's ability to move water on and off Wildlife Areas and lower long-term operating costs by improving the efficiency of pumps and other water conveyance infrastructure. Additional funding will support projects that further improve CDFW's drought resiliency and reduce costs associated with ongoing wetland management. In addition to these major wetland areas, CDFW can increase carrying capacity and habitat connectivity on CDFW lands with spring and summer irrigations, weed control efforts, and successional setback using heavy equipment. These efforts are needed to mimic the natural hydrologic and disturbance events that happened in the Central Valley before modern flood control infrastructure eliminated these large-scale fluctuations.
- **Partnership Lands.** Partnerships are critical to achieving the CDFW's large-scale conservation objectives that provide for the needs of birds using the Pacific Flyway, particularly in the Central Valley, where approximately 95% of the land is privately-owned. In 2021, CDFW entered into agreements with conservation partners and local water districts to immediately provide habitat on private lands and improve the long-term drought resiliency of State, federal, and private lands. Additional funding will allow CDFW to continue to partner on projects that incentivize wildlife habitat on private lands and enhance long-term resilience. This includes supporting programs such as the California

Winter Rice Habitat Incentive Program, the BirdReturns program, and enhancing the long-term resiliency of the nation's first waterfowl refuge (Lower Klamath NWR) and managed wetlands in the Grasslands Ecological Area.

Hatchery Improvements and Fish Planting (\$12.8 million). The Budget Act of 2021 provided CDFW funding to supporting 34 projects at 14 hatcheries that will replace older, low-efficiency water recirculation/aeration pumps and high carbon footprint backup power generators; install temporary raceway recirculation systems, oxygen blower systems to support limited fish rearing and improve efficiency and fish health; address leaking underground water supply lines; allow water intake at reduced stream flows; deter predators; modernize hatchery buildings; refurbishing coded wire tag trailers to support tagging of increase fish production; and, modernize hatchery fleet assets, fish feeders, and other fish pumps, counters, and crowders. Additional funding will result in increasing the types of deliverables described above at several remaining hatcheries. Additionally, these funds will support contingency planning efforts at hatcheries to coordinate and consult with other State, local, and federal partners about emergency use of hatcheries and control structures to manage fish health and survival, increase fish production, increase fish trucking and release locations, transfer fish and eggs between hatcheries, and secure backup holding locations in the event of needed emergency evacuations from existing facilities.

California Department of Conservation

Multi-Benefit Land Repurposing (\$40 million). This program increases regional capacity to repurpose agricultural land that can no longer be irrigated sustainably to reduce reliance on groundwater while providing community health, economic wellbeing, water supply, habitat, renewable energy, and climate benefits. The program provides block grants to regional or basin-scale organizations to work with broad coalitions of local organizations, farmers and ranchers, tribes, and agencies to provide five primary deliverables: multi-benefit land repurposing plans; project development and permitting; project implementation; outreach, education and training; and monitoring. The Department of Conservation implements the program in close partnership with multiple state and federal agencies to leverage program resources and verify that policy objectives are in alignment with regional efforts. An Agency Advisory Group comprised of the following representatives from State and federal agencies has been formed to guide the program: Department of Water Resources, Department of Food and Agriculture, Department of Fish and Wildlife, Wildlife Conservation Board, Governor's Office of Business Development, Strategic Growth Council, U.S. Natural Resources Conservation Service, and the U.S. Fish and Wildlife Service. The program was initially funded by a \$50 million appropriation in the Budget Act of 2021 (SB 170, Ch. 240, Stat. 2021). Currently guidelines for the first grant solicitation are in public review. The guidelines propose funding block grants of up to \$10 million in critically overdrafted groundwater basins and in high and medium priority basins where a state emergency drought declaration has been declared. Additionally, the program proposes to allocate \$2 million for a statewide support block grant and has a \$5 million set-aside for tribal governments or organizations. This proposal would enable the program to offer one or more additional solicitations for grants based on the current draft guidelines, expanding its reach to regions or basins not funded through the first appropriation. From the onset of this program, landowners, farmers and ranchers, groundwater management agencies and multiple

stakeholders and communities impacted by land fallowing statewide have demonstrated strong interest in and need for this program. This additional funding will help those most impacted by a reduction in groundwater pumping manage lands to avoid public harm and provide lasting benefits to ecosystems, economies, and communities.

State Water Resources Control Board

Emergency Drought Response (\$25 million). Requested funds would be used to expand regional and county-based drought emergency programs to support interim and permanent solutions for drinking water drought and water outage emergencies. Funded programs could support community water systems, small water systems, and domestic well communities. The non-profit Self-Help Enterprises has an existing robust regional drought emergency program in place covering eight counties in the San Joaquin Valley. Services provided to drought-impacted households include interim bottled water, hauled water and storage tanks, vending machines, permanent connection to adjacent water systems where feasible, or well and equipment repairs/replacements, and point-of-use or point-of-entry treatment where necessary. To be able to provide similar services statewide, the State Water Board has been working in coordination with DWR to reach counties and encourage applications for new county-wide or regional drought emergency programs. Applications can be submitted by counties or non-governmental organizations on their behalf. Regional approaches addressing multiple counties are encouraged where feasible. A handful of new county programs have been funded during FY 2021-22, but broader geographical coverage is needed to proactively respond to drought emergency needs on a statewide basis, as drinking water outages have been reported in many counties outside the San Joaquin Valley. These funds would support additional county or regional programs to help fill the gaps.

LAO COMMENTS

2021-22 Budget Package Included Agreement for \$4.6 Billion Across Three Years for Water Activities. In response to these trends and conditions, the state provided a significant investment in water-related activities in the current-year budget. The budget included \$3.3 billion for water- and drought-related activities in 2021-22, primarily from the General Fund, spread across numerous departments and activities. A total of \$137 million was for activities intended to respond to emergency drought conditions over the coming year, such as for the State Water Resources Control Board (SWRCB) and California Department of Fish and Wildlife (CDFW) to oversee and enforce regulatory restrictions on water diversions and fishing in certain streams. In contrast, some of the activities—such as grants for water supply and ecosystem restoration projects—are intended to increase the state’s resilience to unpredictable changes to water availability in the future, and likely will take multiple years to complete. Administering departments are still in the process of allocating this funding. The budget agreement between the Legislature and Governor also intends to provide an additional \$1.4 billion—\$880 million in 2022-23 and \$500 million in 2023-24—to continue some activities over the coming years.

Recently Approved Drought and Water Resilience Package (In Millions)^a

Activity	Department	2021-22	2022-23	2023-24	Totals
Water Supply and Reliability, Drinking Water, and Flood		\$2,676	\$420	\$220	\$3,316
Drinking water and wastewater projects	SWRCB	\$1,300	—	—	\$1,300
Multibenefit water projects	DWR	200	—	—	200
Small community water projects	DWR	200	—	—	200
SGMA implementation	DWR	180	\$60	\$60	300
Groundwater cleanup and water recycling projects	SWRCB	150	100	100	350
Flood management	DWR	130	110	60	300
Urban water projects	DWR	100	—	—	100
Water conveyance repairs	DWR	100	100	—	200
Data, research, and communications	DWR	91	—	—	91
SWEEP	CDFA	50	50	—	100
San Diego Pure Water project	SWRCB	50	—	—	50
Multibenefit land repurposing program	DOC	50	—	—	50
Water rights modernization	SWRCB	30	—	—	30
Watershed climate studies	DWR	25	—	—	25
Aqueduct solar panel pilot study	DWR	20	—	—	20
Water Quality and Ecosystem Restoration		\$456	\$460	\$280	\$1,196
Water resilience projects	CNRA	\$165 ^b	\$100	\$180	\$445
Streamflow for the environment	WCB	100	150	—	250
Resilience projects for fish and wildlife	WCB	65	40	—	105
Salton Sea	DWR	40	100	80	220
Funding to address PFAs contamination	SWRCB	30	50	20	100
Urban rivers and streams	Various	30	20	—	50
Water quality improvements for border rivers	SWRCB	20	—	—	20
Clear Lake rehabilitation	CNRA	6	—	—	6

Immediate Drought Response		\$137	—	—	\$137
Drought support for fish and wildlife	CDFW	\$33	—	—	\$33
Drought emergency response	Various	25	—	—	25
Drought permitting compliance and enforcement	SWRCB	18 ^c	—	—	18
Drought permitting compliance and enforcement	CDFW	8	—	—	18
Drinking water emergencies	SWRCB	12	—	—	12
Drought technical assistance	DWR	10 ^d	—	—	10
Salinity barrier	DWR	10	—	—	10
Data, research, and communications	Various	6	—	—	6
Agriculture technical assistance	CDFA	5	—	—	5
Totals		\$3,269	\$880	\$500	\$4,649

Most of the programs included as part of this package represent activities that the state has funded and undertaken in previous years, primarily using voter-approved bonds. The significant exceptions—which represent substantively new programs initiated in 2021-22—include the Department of Conservation’s (DOC’s) multibenefit land repurposing program, SWRCB’s funding to address per- and polyfluoroalkyl substances, and the California Natural Resources Agency’s funding for water resilience projects.

2020-21 Budget Package Also Included Additional Funding to Improve Conditions for Fish and Wildlife. A separate Climate Resilience funding package adopted as part of the 2021-22 budget agreement also contained funding for some water- and ecosystem-related activities. This includes \$15 million in 2021-22 and \$35 million in 2022-23 for CDFW to address climate change impacts on wildlife, such as by implementing projects that address degrading water and habitat conditions. That package also includes \$353 million over three years for the Wildlife Conservation Board to allocate grants for projects that protect fish and wildlife from changing conditions.

State Will Also Receive New Federal Funding for Water-Related Activities. In addition to the \$1.3 billion from the General Fund the state provided in the 2021-22 budget for drinking water and wastewater projects, California expects to receive about \$3.8 billion over five years from the federal Infrastructure Investment and Jobs Act (IIJA) to improve local water infrastructure. About \$1.9 billion of these funds will be administered by SWRCB through its existing State Revolving Fund (SRF) programs for drinking water and wastewater systems, which provide loans and non-repayable financing to local governments, water agencies, and tribal governments for planning, design, and construction of capital projects. An additional \$1.8 billion over five years will also be available through the SRF programs for specific water

quality efforts to address emerging contaminants and replace lead service lines. In recent years, the SRF programs have received roughly \$210 million in federal funds annually, so the IIJA funding represents a significant increase. The U.S. government requires that states provide funding to “match” the federal funds, typically 20 cents to each dollar received. Historically, California has used water bond funds or contributions from SRF recipients to meet this match requirement for federal SRF funds.

Proposal

Provides \$880 Million Consistent With Legislative Agreement. In alignment with what was agreed upon as part of the 2021-22 budget package, the Governor’s proposal includes \$880 million from the General Fund for several water-related efforts. This includes \$420 million for water supply reliability and flood activities and \$460 million for water quality and ecosystem restoration efforts. All 11 of the funded activities are continuations of programs that were also funded in the current year.

Provides Additional \$500 Million for Drought Response Activities, Sets Aside Additional \$250 Million for Potential Needs. In addition to the \$880 million, the Governor proposes providing \$750 million from the General Fund for what he characterizes as drought response activities. The funded activities would span four categories, with the Governor not yet specifying the uses for a portion of the proposed funding.

The activities include:

- \$200 million for water conservation efforts such as grants to local agencies, grants for replacing turf with more drought-tolerant plants, and the State Water Efficiency and Enhancement Program (SWEET), which provides grants to farming operations to replace irrigation systems with more water- and energy-efficient equipment.
- \$150 million for water storage and reliability efforts, including for urban and small community water agencies to upgrade their infrastructure, and for groundwater recharge projects related to implementing the requirements of the 2014 Sustainable Groundwater Management Act (SGMA).
- \$85 million for improving lands management and fish and wildlife habitat, including DOC’s new program initiated in the 2021-22 budget to repurpose agricultural land to reduce reliance on groundwater.
- \$65 million for activities that would address immediate drought conditions, such as assisting fish and wildlife and for drinking water shortages.
- \$250 million for which the Governor has not yet specified uses. The administration plans to come back to the Legislature with a more detailed proposal for these funds later in the spring budget process after the hydrologic conditions for the coming year become more clear.

Federal Funds Anticipated for 2022, but Will Not Flow Through State Budget. While the state expects to receive some IIJA funds for the aforementioned water and wastewater activities in the budget year, these funds are not included in the Governor’s 2022-23 budget proposal because the SRF funds are continuously appropriated. SWRCB indicates it has sufficient appropriated funds—such as General Fund and bond funds—available to use for the required

state match in the budget year. SWRCB estimates California will begin to receive its 2022 allotments of roughly \$650 million from the federal government in early fall.

Governor's Proposed Drought Response Activities

2022-23, General Fund (In Millions)

Activity	Department	Proposal
Water Conservation		\$200
Urban grants and projects	DWR	\$75
Turf replacement grants	DWR	75
Small community grants and projects	DWR	25
SWEEP	CDFA	20
Data collection and technical assistance	DWR	5
Water Storage and Reliability		\$150
Small community water projects	DWR	\$60
Urban community water projects	DWR	60
SGMA groundwater recharge projects	DWR	30
Lands Management and Habitat Enhancement		\$85
Multibenefit land repurposing program	DOC	\$40
Projects to enhance habitat	CDFW	30
Enhance habitat on state and partner lands	CDFW	15
Immediate Drought Response		\$65
Drinking water emergencies	SWRCB	\$25
Drought support for fish and wildlife	CDFW	17
Fish hatchery upgrades	CDFW	13
Drought technical assistance	DWR	5
Relief for small farmers	CDFA	5
Unallocated Drought Funding		\$250
Total		\$750

Assessment

Water Storage Component of Proposal Is Relatively Modest. The Governor dedicates only \$30 million from his new proposal for water storage projects. These funds would be used for groundwater recharge projects related to implementing local groundwater management plans in accordance with SGMA. In the context of the changing hydrology described above, this is not a particularly large level of spending. As warmer temperatures contribute to a lower snowpack and more prolonged dry stretches, in the coming years the state likely will want to increase its ability to capture and store water that falls from episodic wet storms when they do occur. Managed aquifer recharge projects are among the most promising emerging strategies to achieve these goals. This approach involves developing both built and natural infrastructure such as canals, flood bypasses, and designated recharge basins—including farm fields—to direct runoff and floodwaters onto land where it can percolate into the ground to be used later. In addition to potentially restoring some existing groundwater deficits (and mitigating associated negative impacts) and increasing the water supply upon which farmers and residents can draw during dry periods, such projects often have the co-benefit of reducing flood risk. As such, increasing available groundwater storage and opportunities to capture water runoff in managed aquifer recharge projects might merit additional investments beyond what the Governor proposes.

Questionable Whether Water Conservation Is Most Effective Use of State Funding. The focus on water conservation is the most notable distinction between the Governor's proposed 2022-23 drought response package and the 2021-22 three-year Drought and Water Resilience Package, which did not fund such activities. However, this does not necessarily indicate that water conservation represents a high-priority unmet need for state funding, for several reasons.

First, California already has significantly reduced urban water use across the state within the past decade, with statewide average residential water use dropping by 14 percent from 108 gallons per capita per day (GPCD) in 2014 to 93 gallons GPCD in 2021. (Over the longer term, average statewide residential GPCD water use decreased by 34 percent between 1994 and 2019.) This raises questions about how much more reduction in use might be reasonable—and cost-effective—to expect.

Second, urban water use represents a relatively small share of overall applied water use in the state—only around 20 percent, compared to 80 percent used in the agricultural sector. As such, the state might achieve more impact on its overall state water supply—in terms of demand reduction or increased supply—by targeting its efforts on the agricultural sector. Of the Governor's proposed \$200 million for water conservation activities, only \$20 million is focused on improving agricultural water efficiency (the SWEEP program).

Third, the Legislature has adopted policies to help improve water conservation and better position local water agencies to withstand future dry periods, which the state is still in the process of implementing. Specifically, Chapters 14 (SB 606, Hertzberg) and 15 (AB 1668, Friedman) of 2018 included requirements that urban water agencies develop and meet new water use efficiency objectives based on their local conditions, and added new components to urban and agricultural water management planning activities. The legislation requires local agencies to

meet their new water use objectives by 2027. These policy changes—combined with the local ratepayer-supported funding that local agencies have to implement them—have established incentives for urban communities to continue increasing their water conservation efforts in the coming years, even without additional state funding.

More Than Half of the Governor’s Proposed Activities Are Excluded From State Appropriations Limit (SAL). The California Constitution imposes a limit on the amount of revenue the state can appropriate each year. The state can exclude certain spending—such as on capital outlay projects, as well as for certain kinds of emergency spending (such as to respond to a declared emergency)—from the SAL calculation. The Department of Finance estimates that of the \$500 million in the Governor’s specified drought response proposals, \$310 million—about 60 percent—is for activities that are excludable from the SAL. This includes \$120 million for water projects in small and urban communities, \$100 million for water conservation grants and projects in small and urban communities, and \$40 million for DOC’s land repurposing program.

Oversight of Current-Year Funding Implementation Will Be Important. The 2021-22 budget package represents an exceptional level of one-time General Fund spending on a wide variety of water-related activities. While the state has provided funding for many of the included activities before, it largely has done so using voter-approved general obligation bonds. Such bonds generally include a significant level of statutorily required accountability measures, such as public reporting on when and how bond funds are spent, specific projects that are funded, and outcomes from those projects. Comparable reporting requirements were not included in the budget appropriations for the General Fund-supported Drought and Water Resilience Package. Moreover, the administration has significant discretion over how to design and administer the new state programs funded for the first time in 2021-22, such as the water resilience projects and land repurposing program. Given both the important state goal of increasing water resilience and the magnitude of these recent investments, taking steps to ensure the Legislature can conduct sufficient oversight of how the \$4.6 billion is spent will be important to ensure funds are being implemented in a way that effectively meets legislative goals. Such information could also inform how the Legislature may want to prioritize and shape future efforts—including in 2022-23. For instance, if departments face challenges with administrative capacity, the Legislature could consider whether additional staffing is warranted. If programs are oversubscribed, the Legislature could consider providing additional funding in the budget year or a subsequent year. Alternatively, if programs remain in the early stages of implementation, are undersubscribed, or show other signs that program modifications might be needed, then the Legislature could take steps to address those issues.

Recommendations

Our overarching recommendation regarding the Governor’s \$750 million drought response package is that the Legislature’s funding approach should be guided by what it believes are the highest-priority, most cost-effective efforts that do not currently have sufficient funding from the state’s recent water investments.

Revisit Need for Additional Funding for Immediate Drought Response Later in Spring Budget Process. Given the uncertainty about how the state’s hydrology and conditions will

evolve, we recommend the Legislature wait until the May Revision to determine how much funding to allocate for urgent drought response activities. This will allow the Legislature to better estimate how much funding truly is needed and which activities to target. Ultimately, the appropriate amount could be more or less than the \$65 million proposed for specific immediate drought response activities and the \$250 million set aside by the Governor.

Consider Importance of Funding Additional Water Resilience Activities This Year, Given Large Recent Investments. While improving longer-term statewide drought resilience has merit, we recommend the Legislature weigh this goal against its other 2022-23 budget priorities. Given that state and local agencies are busy implementing activities supported by substantial funding provided in the current year and already will receive additional General Fund for water-related activities from the Drought and Water Resilience and Climate Resilience packages in 2022-23 (as well as new federal funds), the need for additional funding may be less pressing compared to addressing other state priorities in the budget year. We do not refute the importance of funding additional longer-term water supply, storage, and ecosystem resilience projects to improve the state's ability to weather future droughts. Rather, we suggest the Legislature carefully consider whether making added investments is essential this year.

Modify Package to Reflect Legislature's Highest Priorities. To the extent allocating additional funding for improving water and drought resilience is a priority for the Legislature in 2022-23, we recommend it modify the Governor's proposals to ensure it funds the mix of programs it deems to be the highest priority and most cost-effective for achieving its goals. For example, this could include less emphasis on funding for water conservation—given prior successful efforts to reduce use, the comparatively small share that urban and small communities represent of overall statewide water use, and existing statutory requirements in place to make urban water use more efficient. The Legislature could also consider a package that provides comparatively more funding for groundwater recharge and storage projects, given their potential to help increase water supply, address groundwater deficiencies, and improve flood control. The Legislature could also consider waiting to provide additional funding for DOC's land repurposing program until it has at least another year of information about program demand and outcomes.

Consider SAL Implications. In constructing its final drought response package, we recommend the Legislature be mindful of SAL considerations. For example, if the Legislature were to reject or approve a lower amount of spending on the proposed water-related activities that the administration excludes from SAL, it would generally need to repurpose the associated funding for other SAL-related purposes, such as tax reductions or an alternative excluded expenditure. If the statewide drought emergency proclamation is still in effect in 2022-23, certain response activities could be exempt from the spending limit, although associated appropriations would need to be approved with a two-thirds vote of the Legislature in order to be considered SAL-excludable.

Monitor Implementation of Water Funding. We recommend the Legislature conduct both near-term and ongoing oversight of how the administration is implementing—and local grantees are utilizing—funding from the Drought and Water Resilience Package. In particular, we recommend the Legislature track: (1) how the administration is prioritizing funding within newly designed programs, (2) the time lines for making funding allocations and completing projects,

(3) the levels of demand and over- or under-subscription for specific programs, (4) any barriers to implementation that departments or grantees encounter, and (5) the impacts and outcomes of funded projects. The Legislature has a number of different options for conducting such oversight, all of which could be helpful to employ given that they would provide differing levels of detail. These include requesting that the administration report at spring budget hearings, requesting reports through supplemental reporting language, and adopting statutory reporting requirements (such as those typically included for general obligation bonds).

STAFF COMMENTS

According to documents from the Administration as of 1/1/22, approximately \$882 million of the \$3.57 billion appropriated last year for water and drought has been allocated. This includes roughly:

- \$123 million for drinking water and wastewater (SWRCB)
- \$184 million for Small Water Suppliers Drought Relief & Urban Water Management Grants/Multi Benefit Water Projects (which is proposed to be increased with this BCP) (DWR)
- \$197 million for flood protection (DWR)
- \$95 million for water conveyance (DWR)
- \$33 million for SWEEP (which is proposed to be increased by this BCP) (CDFA)
- \$34.5 million for data, research, and communications (DWR, CDFA, CNRA, SWRCB)
- \$30 million for water rights digitization (SWRCB)
- \$38.5 million for wildlife corridors and fish passage (WCB)
- \$23.7 million for Delta water quality and fish facilities (DWR)
- \$28 million for fisheries and wildlife support (DFW)
- \$19 million for the Aqueduct Solar Panel Pilot Study (DWR)
- \$32.6 million for drought permitting and compliance (DFW, SWRCB)
- \$5.4 million for drinking water emergencies (SWRCB)
- \$4.4 million for Urban Streams and Rivers through the Santa Monica River and Mountains Conservancy (SMMC) and 500k through Rivers and Mountains Conservancy
- \$3.8 million Clear Lake Restoration (SWRCB)
- \$3.5 million for Border Rivers restoration (SWRCB)
- \$2.5 million for small and underserved farmers drought relief (CDFA)

Before approving new expenditures on water resilience and drought response, this Subcommittee may wish to ask for an update on last year's expenditures and anticipated federal funding.

Additionally, this Subcommittee may wish to ask:

DFW

- DFW proposals seem heavily focused on one-time funding for external partnerships and consulting. Why is more not being done to help build internal capacity, especially given the existing gaps identified by Serviced Based Budgeting even before these additional responsibilities?

DWR

- Will the additional \$60 million for Small Water Suppliers Drought Relief allow all the qualified applications to be approved?

WCB

- What is your plan for the \$253 million for protecting fish and wildlife from changing conditions that is expected to be appropriated this year from the climate resilience?
- Do you have specific projects or programs in mind?
- How will this be distributed geographically?

CDFA

- How does CDFA ensure their programs (not just those proposed in this BCP) are equitable for all Californians? How do you or your third party contractors conduct outreach to small-farm operators, including providing information in multiple languages, or through social media?
- Will the \$250 million reserved for the May Revise include direct assistance for socially disadvantaged farmers and ranchers impacted by the drought? It looks like only \$2.5 million has been provided for direct assistance.
- Can CDFA provide a summary of previous drought relief grant recipients which indicates the amount, acreage and geographic area?
- Do the GHG reporting requirements impact which programs are funded?
- Given that this is general fund, are there any unnecessary barriers for small farmers to apply for the SWEEP funds? Are the GHG reporting requirements, which were a requirement associated with receiving GGRF funding improving the effectiveness of the projects funded?

SWRCB

- For the \$350 million for groundwater cleanup and recycled water, how do you plan to allocate between these two programs?
- Have you accepted applications for the PFAS funding? Is this program oversubscribed?
- Will any funds be available from federal funding for PFAS cleanup or other groundwater remediation?
- How much funding has been requested for drinking water and wastewater projects? When do you anticipate exhausting this funding? How much is needed for federal cost sharing? Will you be able to spend all the federal drinking water funds and this \$1.3 billion in a timely manner, or would these funds be better utilized in other programs that are not federally funded?
- With the federal funds for lead service line replacements (or any applicable state funds), will the Board prohibit partial replacements (like excluding goosenecks) that can increase lead in drinking water? When can the legislature expect a response to the letter submitted on this issue?

Last year, the budget included \$350 million over three years for recycled water and groundwater cleanup. The Administration proposed \$150 million for these purposes, but this Subcommittee requested the additional funding specifically for recycled water. Given that groundwater cleanup can also be funded under the PFAS bucket and has overlap with clean drinking water, this Subcommittee may wish to specify how much funding should be allocated towards recycled water. Staff recommends directing at least \$275 million (of the \$350 million) for recycled water.

Staff Recommendation: Hold Open.

3940 STATE WATER RESOURCES CONTROL BOARD

ISSUE 2: BAY DELTA PROGRAM FUNDING CONVERSION AND POSITION AUTHORITY

The Governor's budget requests additional position authority for 5 permanent positions and conversion of \$1.411 million in existing contract funding to personnel services.

The Division receives a continuing contract appropriation of \$5 million each year from the General Fund to support Bay-Delta water quality control planning and implementation. Contract funds are being used to support development of California Environmental Quality Act (CEQA) documentation and related tasks for which consultant resources are well suited. However, additional staffing resources are needed to support the associated regulatory activities for Bay-Delta water quality control planning and implementation, including addressing long-standing, complex issues that are exposed and exacerbated by climate change and associated intensifying drought conditions that have occurred in both 2020 and 2021, and will occur during future dry years. Specifically, these tasks include: (1) completing the update to the Bay-Delta Plan; (2) implementing updates to the Bay-Delta Plan; (3) implementing the existing Bay-Delta Plan while updates are in process; and, (4) addressing long-standing water rights administration and priority issues to improve responding to climate change and intensified periods of water supply shortages. As described in more detail below, these actions take multiple years to complete because they are focused, in part, on improving flow and water quality conditions (e.g., temperature) for ecologically, culturally, and economically important fish populations (some on the edge of extinction) which is expected to change reservoir storage patterns and the volume and frequency of water deliveries to large-scale water diverters in the Bay-Delta watershed. Experienced staff that understand the historical, technical, and regulatory context surrounding these actions are needed to fulfill the specialized State Water Board role and functions associated with completing and fulfilling each of these actions.

PANEL

The following individuals will participate virtually in the discussion of this issue:

- Joaquin Esquivel, Board Chair, State Water Resources Control Board
- Diane Riddle Assistant Deputy Director, Bay Delta Branch, State Water Resources Control Board
- Krystal Acierto, Principal Program Budget Analyst, Finance
- Rachel Ehlers, Principal Fiscal & Policy Analyst, Legislative Analyst's Office

LAO COMMENTS

Background

SWRCB Regulates Bay-Delta and Its Source Rivers Through Water Quality Control Plan. Pursuant to the state Porter-Cologne Water Quality Control Act and federal Clean Water Act, SWRCB regulates water quality for the waters of the state, including its rivers and streams.

As a component of implementing these responsibilities, in 1978 the board adopted a water quality control plan for the Sacramento-San Joaquin Bay-Delta, known as the Bay-Delta Plan. This plan establishes water quality objectives—such as flow requirements—that are intended to protect “beneficial uses” in the Bay-Delta and its source rivers. Specified beneficial uses include fish and wildlife, agriculture, and municipal and industrial water uses. The plan also includes programs of implementation to achieve the stated objectives, including monitoring and compliance actions.

Board in Process of Updating Bay-Delta Water Quality Control Plan. Given changing conditions and water uses over the past four decades, SWRCB has occasionally made updates to the Bay-Delta Plan. While the overall plan received some updates in 2006, the last major update was in 1995. SWRCB has been in the process of developing new updates to the plan since 2009. In 2018, the board adopted Phase I of these new updates, which includes new water quality flow objectives for the lower San Joaquin River and its tributaries (the Stanislaus, Tuolumne, and Merced Rivers), as well as updated salinity objectives for the South Delta. Specifically, to improve conditions for fish and wildlife, the new flow standards call for 40 percent of unimpaired flow in the rivers. The required flows can be adjusted within a range of 30 percent to 50 percent between February and June depending on other actions and conditions in the fisheries. (According to SWRCB, current unimpaired flows in these rivers range from 21 percent to 40 percent on average, but can run as low as 6 percent in dry or drought years, and average 10 percent to 20 percent during certain times of the year that are critical for migrating fish.) The board is now developing a program of implementation for these new standards.

SWRCB is still in the process of working on Phase 2 of its plan updates, which will include new water quality objectives and a program of implementation for the Sacramento River, its major tributaries, and the Bay-Delta estuary itself. The board states that it hopes to adopt new flow standards in fall 2023, with development of the implementation plan to follow. Because implementing these new standards will necessitate adjustments to water rights, SWRCB is still weighing options for how it will incorporate those changes once it has approved the new flow objectives, including potentially through adopting new regulations or through adjudicative water rights proceedings.

SWRCB Currently Spends \$9.1 Million Annually on Updating Plan. Currently, SWRCB receives \$9.1 million in ongoing funding to update and implement changes to the Bay-Delta Plan, including \$7.5 million from the General Fund and \$1.6 million from the Water Rights Fund. Of this funding, \$4.1 million supports 17 existing SWRCB staff—including two in the Office of Chief Counsel—and \$5 million is used for contracted consultant services, such as to develop environmental documents and conduct scientific and economic modeling and analyses.

Bay-Delta’s Native Species Experiencing Rapid Declines. As stated in the Phase 1 plan update, “native fish species that migrate through and inhabit the Delta have experienced dramatic population declines in recent years, bringing some species to the brink of extinction.” For example, the plan highlights that the San Joaquin River basin experienced an 85 percent net loss in returning adult fall-run Chinook salmon from 1985 to 2017. Trends are similarly bleak in the Sacramento River, where recent drought conditions have precipitously exacerbated escalating declines for winter-run Chinook salmon. Moreover, the Delta Smelt, a fish endemic to California that only occurs in the Bay-Delta and which used to be the most abundant fish in

the estuary—once numbering in the millions—has not been observed in the wild at all for the past four years. Such trends are not solely related to existing flow requirements, and have been exacerbated by loss of habitat, impediments to fish passage such as dams and weirs, water diversion systems including pumps, recurring drought conditions, and warming temperatures. However, SWRCB has the responsibility to adopt and enforce water quality objectives that help protect fish and wildlife given that is one of the statutory beneficial uses in the Bay-Delta.

Governor’s Proposal

Redirects \$1.4 Million in Existing Funding From Contracts to New Staff. The Governor proposes redirecting \$1.4 million from the \$5 million in ongoing General Fund that is currently being used for contract consultant services to instead establish and support five new permanent positions at SWRCB. These positions would help with plan implementation and monitoring activities, including potential regulatory actions. The proposed approach would retain \$3.6 million for contracted activities and would be cost-neutral for the state.

Assessment

Reasonable to Increase SWRCB Staffing Levels to Accomplish New Tasks. We find the Governor’s proposal to increase SWRCB’s staffing capacity for the next steps of developing and implementing Bay-Delta Plan updates to be reasonable. Implementing the new water quality objectives for the San Joaquin River and developing new standards for the Sacramento River-Delta portion of the plan represents increased workload for the board. Moreover, the upcoming tasks—such as advising on implementation decisions, developing regulatory actions, conducting enforcement, and overseeing ongoing monitoring—would benefit from consistent and continuing internal staff expertise; contracted consultants would not be appropriate entities to conduct such activities.

Swift Adoption and Implementation of Plan Updates Is Important. Updating the water quality objectives for the Delta watershed is long overdue and should be a high priority for the state to complete. As noted, the last major update was nearly 30 years ago. Water uses, ecosystem conditions, and the statewide population that depends on water that passes through the Bay-Delta all have changed significantly since then, producing a critical need for an updated operating framework. Additionally, the impacts of climate change—including higher average temperatures, more frequent and prolonged droughts, more wet and warm atmospheric river storms, and rising sea levels encroaching into the San Francisco Bay and Delta estuary—already are beginning to affect conditions in the Bay-Delta and its source rivers, and will increasingly do so in the coming years. These changes will render the existing water quality objectives even more outdated. The current standards and regulatory framework have not been sufficient to protect fish and wildlife in the watershed. If current trends continue, the state is poised to lose some of its native species to extinction. Moreover, the prolonged process of waiting for new water quality standards to be specified and implemented creates uncertainty for water users and thereby complicates their planning and operational decisions.

Additional Oversight and Legislative Action Might Help Expedite Plan Adoption and Implementation. While the Governor’s budget proposal to add five new positions is reasonable and relatively modest, the Legislature could take this as an opportunity to engage with the

administration and consider broader issues related to the Bay-Delta Plan update. In particular, given the prolonged time line for and importance of updating the plan, the Legislature may want to consider whether it could take steps to help expedite SWRCB's progress. Such steps could include providing additional funding, further increasing staffing levels, or adopting statutory guidance or deadlines.

Recommendations

Adopt Governor's Proposal to Redirect Existing Funding to Support Five New Staff. We recommend the Legislature adopt the Governor's proposal to redirect \$1.4 million in existing General Fund from contracted consultants to instead fund five new SWRCB positions. The board would benefit from additional in-house expertise to address upcoming workload associated with implementing Phase 1 and developing, adopting, and implementing Phase 2 of the Bay-Delta Plan.

Explore Whether Additional Steps Are Needed to Expedite Progress. We also recommend that the Legislature engage with the administration regarding its time line for updating the plan and whether additional actions can be taken to help expedite this process. For example, the Legislature could ask SWRCB to respond to questions in spring budget hearings, policy committee oversight hearings, or through meetings with staff or board members. Key questions for the Legislature to discuss with the administration include:

- **What Is the Board's Time Line for Achieving Improved Outcomes in the Bay-Delta?** Are there actions that can be taken to expedite this time line?
- **What Barriers Have Impeded Adoption and Implementation of Plan Updates?** Why have the plan updates taken so long to adopt and implement? What is the board doing to address these barriers? Are there steps the Legislature can take to help address existing or anticipated future obstacles?
- **Would Additional Resources Help Expedite Progress?** Would supplemental funding for staff and/or consulting contracts help achieve plan milestones more quickly?
- **What Interim Steps Can Be Taken to Improve Outcomes?** What actions are being undertaken to improve conditions for at-risk native fish species while the state waits for plan updates to be adopted and implemented?

Staff Recommendation: Hold Open.

ISSUE 3: IMPLEMENTATION UPDATE ON THE WATER AND WASTEWATER ARREARAGE PAYMENT PROGRAM**BACKGROUND**

Last year's budget appropriated \$1 billion to forgive water bill debt from Californians impacted by the COVID 19 pandemic, by creating a new program called the California Water and Wastewater Arrearage Payment Program. The program provides relief to community water and wastewater systems for unpaid bills related to the pandemic. The funding covers water debt from residential and commercial customers accrued between March 4, 2020 and June 15, 2021.

The program will initially prioritize drinking water residential and commercial arrearages. Funding to community water systems was disbursed through January 31, 2022. The program will extend to wastewater residential and commercial arrearages with final applications due by April 1, 2022.

To date, roughly \$301 million has been allocated and roughly \$241 million is anticipated to be requested for wastewater, leaving as up to \$443 million left over after administrative costs.

PANEL

The following individuals will participate virtually in the discussion of this issue:

- Joaquin Esquivel, Board Chair, State Water Resources Control Board
- Darrin Polhemus, Deputy Director, Safe Drinking Water Program, State Water Resources Control Board
- Krystal Acierto, Principal Program Budget Analyst, Finance
- Rachel Ehlers, Principal Fiscal & Policy Analyst, Legislative Analyst's Office

STAFF COMMENTS

Given the expected excess funds, this Subcommittee may wish to consider ways to revise the program or better utilize these funds. Some stakeholders and media reports claim that the program application rules are too burdensome and there is uncertainty if water systems need to provide tax forms so customers can pay taxes on the forgiven debt. Staff has heard that some public water districts opted to have the unpaid bills rolled into tax assessments and that some smaller water systems believed the 3% allowed for administrative costs was too small to cover their costs. Additionally, staff has heard that since the water debt survey was initially completed, federal funds were provided to help individuals pay their bills, thus reducing the demand for the program.

Stakeholders have proposed two different solutions so far for how to spend the excess funds.

One, is to extend the date of time that debt is covered until December 31, 2021. This date is consistent with the expiration of the statewide moratorium for utility disconnections for non-payment. While this may be an appropriate use of funds if there are truly excess funds, this will

exacerbate the inequalities of which Californians received debt relief and which did not, at no fault of their own.

Two, is to create a fund for low-income rate assistance for water and wastewater. The request asks for \$305 million for two years, but would likely have ongoing cost pressures. If this Subcommittee has interest in funding this program, they may want to consider if it is best suited at SWRCB or the Department of Community Services Development that is implementing \$116 million one time for the federal Low Income Household Water Assistance Program (LIHWAP).

The Subcommittee may wish to ask:

- Why does the Board believe water agencies did not apply for these funds?
- What outreach was done to water agencies that did not apply?
- What can the Legislature or Board do to streamline the application process and encourage more applicants to apply?
- Would it be helpful for the Legislature to pass legislation clarifying the tax burdens and reporting requirements (consistent with federal law)?
- Does the Board have a plan for how to use unspent funds?
- If the date was extended until December 31, 2021, roughly how much money would be allocated?

Staff Recommendation: Hold Open.

8750 DEPARTMENT OF FOOD AND AGRICULTURE

ISSUE 4: FARM TO SCHOOL PROGRAM

The Governor's budget requests \$32,855,000 General Fund and 16 permanent positions in 2022-23, \$2,881,000 in 2023-24, and \$2,876,000 in 2024-25 and ongoing to expand the California Farm to School Incubator Grant Program and to establish regional California Farm to School Network support within the Office of Farm to Fork. Specifically, this request seeks to: (1) Improve the effectiveness of the California Farm to School Network by providing regional support staff; and, (2) Expand the California Farm to School Incubator Grant Program.

The Farm to School Incubator Grant Program is currently accepting applications for the \$30 million provided in fiscal year 2021-2022 and awards are expected to be announced in June.

PANEL

The following individuals will participate virtually in the discussion of this issue:

- Karen Ross, Secretary, Department of Food and Agriculture
- Lizzie Urie, Staff Finance Budget Analyst, Finance
- Frank Jimenez, Fiscal & Policy Analyst, Legislative Analyst's Office

LAO COMMENTS**Background**

Office of Farm to Fork Promotes Increased Access to Healthy Foods in Schools. CDFA's Office of Farm to Fork administers the Farm to School Program, which serves as a statewide resource to assist schools in procuring more locally grown foods and engaging students to eat healthier diets. The Farm to School Program currently has six dedicated staff positions, which were approved on an ongoing basis as part of the 2020-21 budget. The program had previously been supported with limited-term positions and grant funding.

Farm to School Incubator Grant Program Provides Funding to Schools. The department administers the Farm to School Incubator Grant Program, which provides funding to schools to purchase locally grown foods, coordinate educational opportunities, and further collaboration and coordination between schools and producers. The program was first established with a non-Proposition 98 General Fund appropriation of \$8.5 million in 2020-21. The 2021-22 budget package committed \$30 million in both 2021-22 and 2022-23 in non-Proposition 98 General Fund resources to fund additional rounds of grants. CDFA plans to accept applications for the \$30 million in current-year funding in February 2022 and award grants in June.

CDFA Required to Submit Report on Grant Program Outcomes by January 2024. The recent budget package also included supplemental reporting language for CDFA to report on key programmatic outcomes achieved by the Farm to School Incubator Grant Program by

January 1, 2024. Specifically, the department is required to report on the following: (1) the total number of grants and amount of funding awarded; (2) the number of schools and students served; (3) the number of schools and students served by applicable community-need metrics (such as free/reduced meal rates); (4) the geographic distribution of awarded grants; and, (5) an assessment, to the extent feasible, of the degree to which the funded activities resulted in improvements such as increased awareness and consumption of healthier food options and improved academic outcomes.

Governor's Proposal

Additional \$30 Million for Farm to School Incubator Grant Program. The Governor's budget proposes an additional \$30 million in non-Proposition 98 General Fund resources in 2022-23 for the Farm to School Incubator Grant Program. Combined with the \$30 million for the budget year that was agreed upon as part of the 2021-22 budget package, this would provide a total of \$60 million for the program in 2022-23.

Funding to Hire Regional Staff for the Farm to School Program. The Governor's budget also includes \$2.9 million in non-Proposition 98 General Fund resources in 2022-23 and ongoing to support 16 new positions for the Farm to School Program. The staff would be responsible for advancing farm to school practices statewide. The proposal includes eight network coordinators who would support local farm to school planning and implementation, and eight marketplace specialists who would establish connections between schools and local producers. The department indicates that each position would be responsible for supporting these activities in a particular region of the state. While these staff would support activities funded by the school incubator grants, their work would also extend to other schools and producers that are not grantees.

Assessment

Unclear Whether Demand for Grants Matches Proposed Funding Levels. The Farm to School Incubator Grant Program is a relatively new program and, as a result, limited data are available on the demand for grants. In 2020-21, the first year of the program, the department received \$12.5 million in total requests for \$8.5 million in available funding—not a significant level of oversubscription. Because the department will not begin receiving applications until this February for the \$30 million it has available for 2021-22 grants, the level of existing demand for this program remains unknown. This lack of justification is particularly concerning given the magnitude of the expansion the Governor is proposing for this program—an increase of over 600 percent in two years (from \$8.5 million to \$60 million).

Proposal Requests Additional Funding for Grants Before Program Outcome Information Is Available. As mentioned earlier, the 2021-22 budget package included a requirement that the department report on key programmatic outcomes for the Farm to School Incubator Grant Program by January 1, 2024. The reported outcomes were intended to provide the Legislature with information on how effectively the program met its intended goals, which could then be used to guide future funding decisions. The Governor's proposal requests additional funding before such information is available, making it difficult for the Legislature to assess the merits of expanding the program.

Providing Regional Staff Could Further Promote Adoption of Farm to School Practices. We find that adding regional staff to support the Farm to School Program likely would contribute to an increase in statewide adoption of farm to school practices, such as by helping to incorporate healthy food options into school meals and increasing opportunities for nutrition education. Staff that specialize in a particular region could better tailor support to schools that have common regional barriers in implementing these practices. Additionally, regional staff could help in developing relationships and purchasing agreements that better connect schools to local producers.

Recommendations

Reject Additional Funding for the Farm to School Incubator Grant Program Until More Data on Outcomes and Demand Are Available. We recommend the Legislature reject the Governor's proposal to provide an additional \$30 million for the Farm to School Incubator Grant Program. As mentioned above, the program already will receive \$30 million to provide new grants in the budget year. Expanding the program to \$60 million before data on the demand for grants and programmatic outcomes are available is premature. As noted, CDFA is required to provide a report to the Legislature in January 2024, in time to inform the 2024-25 budget package. Should the Legislature wish to consider providing additional funding for the program in 2023-24, it could request a status update from the department on program demand and outcomes next year.

Approve Regional Staff Funding for the Farm to School Program. We recommend the Legislature approve the \$2.9 million in ongoing General Fund to support 16 regional staff. We find that these positions could increase the adoption of farm to school practices statewide by better tailoring support to schools that have common regional implementation barriers.

STAFF COMMENTS

Last year's budget included a commitment to provide \$60 million over two years for this program. This proposal would increase it to \$90 million. Consistent with the LAO's comments, it is unclear why this increase is warranted. At this time, staff is not aware that grant applications have gone out for current year funding, so we have no way to gauge demand.

The Subcommittee may wish to ask:

- How do you work with the California Department of Education who has a relationship with schools and is the lead on school meal procurement?
- Do you plan to prioritize funds for Title 1 Schools?

Additionally, last year's budget included \$15 million for the Farm to Community Food Hubs Program. This Subcommittee may wish to ask for an update on that program's implementation status and if funds have been requested or awarded. Specifically:

- What is your timeline for development and implementation of the pilot program, including timeline for staffing, formation of the Advisory Committee, public outreach regarding grant availability, informational workshops for interested applications, and application review and disbursement?

Additionally, this Subcommittee may wish to ask for an update on what funding has been awarded from last year's Sustainable Agriculture Package. According to information provided by the Department, they have allocated approximately \$43 million of the \$298 million appropriated last year.

Lastly, the Subcommittee may wish to request the financing plan for the agriculture climate catalyst fund before appropriating \$25 million.

Staff Recommendation: Hold Open.

ISSUE 5: STATE ORGANIC PROGRAM OUTREACH AND EDUCATION

The Governor's budget requests \$537,000 Department of Food and Agriculture Fund in 2022-23 and one permanent position and \$736,000 in 2023-24 and ongoing for the State Organic Program (SOP) to promulgate regulations and conduct new outreach, education, and technical assistance efforts to SOP constituents as authorized by the California Organic Food and Farming Act and as identified by the California Organic Products Advisory Committee and the Organic Stakeholder Work Group. Education and technical assistance will be achieved partly through a contractual agreement with a University or a Cooperative Extension of a University (of California) and partly through an outside contract for translation services.

PANEL

The following individuals will participate virtually in the discussion of this issue:

- Karen Ross, Secretary, Department of Food and Agriculture
- Lizzie Urie, Staff Finance Budget Analyst, Finance
- Frank Jimenez, Fiscal & Policy Analyst, Legislative Analyst's Office

STAFF COMMENTS

Last year's budget included \$7 million for organics transition grants to help farmers transition their crops to organic crops. Transitioning to organic crops requires farmers to stop using pesticides for three years before being certified organic. This means three years of lost revenue, but at the end of the three years, farmers typically see higher prices for organic crops. These grants are intended to help farmers bridge the financial gap during this three year transition. Specifically, this \$7 million was appropriated as prioritization of the larger \$17 million for the Technical Assistance and Conservation Management Plans.

This Subcommittee may wish to ask for a status update on the Department's efforts to award grants for organics transition as well as the overarching Technical Assistance and Conservation Management Plans.

Specifically, the Subcommittee may wish to ask:

- Has the Department finalized the guidelines for the Conservation Management Plans program?
- What are the benefits or downsides of the organics transition program being a subset of this program instead of a stand-alone grant program?
- Will you be coordinating with the University of California Sustainable Agriculture Research and Education Program or any others third parties?

Staff Recommendation: Hold Open.

3600 DEPARTMENT OF FISH AND WILDLIFE

ISSUE 6: VARIOUS PROPOSALS TIED TO SERVICE BASED BUDGETING

This Subcommittee may wish to have the Department of Fish and Wildlife provide an update on how a few BCPs relate to Service Based Budgeting (SBB).

1) Automated License Data System 365- Day License and Electronic Display Implementation (AB 817)

The Governor's budget requests one-time funding of \$810,000 General Fund in Fiscal Year (FY) 2022-23, with an extended encumbrance period through June 30, 2024, to support the implementation of Assembly Bill (AB) 817. AB 817 provides the Director of the Department the authority to establish the annual resident and nonresident sport fishing licenses for 12 consecutive months (365-day). Furthermore, the bill allows the Department to enable the electronic display of licenses, validations, report cards, and other fishing entitlements. AB 817 also allows any resident of California who is 65 or older and receives Supplemental Security Income or Cash Assistance Payments for Immigrants to qualify for a reduced fee sport fishing license.

2) Commercial Fishing Inspection: Crab Traps (SB 80)

The Governor's budget requests 3.0 permanent positions and \$573,000 General Fund ongoing to address the workload associated with the implementation of Senate Bill (SB) 80. SB 80 provides authority for the Department to develop and implement an evisceration program for the commercial Dungeness and rock crab fisheries, to expand biotoxin sampling in California fisheries, and to establish a consistent statewide presoak period for Dungeness crab gear.

3) Whale and Sea Turtle Safe Fisheries Initiative

The Governor's budget requests \$856,000 California Environmental License Plate Fund (ELPF) in Fiscal Year (FY) 2022-23, \$856,000 in FY 2023-24, and \$721,000 in FY 2024-25 to implement the Habitat Conservation Plan (CP) for the Dungeness Crab Fishery (DCF). This funding will provide capacity to implement the CP for the protection of whales and sea turtles in the commercial DCF pursuant to the pending issuance of a federal Endangered Species Act (ESA) Incidental Take Permit (ITP) and as required by settlement obligations.

4) Modernization of Aging Vessel Fleet

The Governor's budget requests one-time funding of \$1.9 million General Fund in Fiscal Year (FY) 2022-23, with an extended encumbrance period through June 30, 2024, and an extended liquidation period through June 30, 2027, to replace an aging vessel fleet and to modernize equipment needed to assess the effects of climate change on California's unique biodiversity. These strategic investments will allow increased access to additional types of aquatic habitat and decrease long-term reliance on state funding to repair aged vessels. The continued

existence of these monitoring programs is critical to inform future decisions and management actions to protect California's fisheries and the ecosystems they depend on.

PANEL

The following individuals will participate virtually in the discussion of this issue:

- Chuck Bonham, Director, Fish and Wildlife
- Miriam Kaplan, Finance Budget Analyst, Finance
- Krystal Acierto, Principal Program Budget Analyst, Finance
- Rachel Ehlers, Principal Fiscal & Policy Analyst, Legislative Analyst's Office

STAFF COMMENTS

The Service Based Budgeting (SBB) Project initiated in the Budget Act of 2018 in effort to resolve the structural deficit at DFW, including an assessment of appropriate funding sources for various department activities. SBB is a budgeting approach that identifies the tasks needed to accomplish a department's mission and statutory obligations. This review is intended to inform the future budget based on staff time needed to complete these tasks. The SBB approach is a task-based, labor-focused approach, and is organized by DFW's services to the public.

While the above proposals seem reasonable, it is unclear how these requests collectively fill or impact gaps identified by SBB work and what gaps remain. Also, SBB has not yet resulted in a discussion of how much of the department's activities should be funded by user fees versus the General Fund. As some of these BCPs provide funding for activities that are supported at least partially by user fees, without this SBB analysis, it is unclear whether these cost should come from the General Fund or users.

The Subcommittee may wish to again request that all future budget proposals for DFW include information on how the proposal will impact the department's remaining service gaps.

Some potential questions:

- Please provide the Subcommittee with an update of the SBB process.
- When does DFW anticipate being able to present information that will inform whether there needs to be fee adjustments?
- How do these BCPs impact the gaps in each of its service areas? What are the largest remaining gaps?
- Can the Department provide us new charts on the current and project status of the service gaps?
- Switching to a 12-month license from a calendar year license may impact revenues that support several aspects of the department's mission. How does the Administration intend to watch and make adjustments to the fees based on potential changes in the number of license purchased?

- Could the Department fund Commercial Fishing Inspection: Crab Traps and Whale and Sea Turtle Safe Fisheries Initiative through fees?
- How does the \$1.9 million for vessel fleets relate to SBB? Does DFW need to replace more aging boats or purchase additional boats?

Separately, the subcommittee may wish to ask:

- Can you provide us with how many black bears are in the state, when the last time there was a statewide count, how you perform the statewide count, and how you determine the appropriate number of hunting permits?

Staff Recommendation: Hold Open.

ISSUE 7: CANNABIS LICENSURE, SAFETY, AND QUALITY ASSURANCE (AB 141)

The Governor's budget requests \$1.3 million in Fiscal Year (FY) 2022-23, \$1.2 million in FY 2023-24, and \$1.2 million in FY 2024-25 from the Cannabis Tax Fund, Allocation 1, to implement Assembly Bill 141 (AB 141) Department of Cannabis Control: licensure: safety and quality assurance. The funds requested are consistent with the Cannabis Tax Fund, Allocation 1, to continue the coordination and support required with the Department of Cannabis Control (DCC) for provisional cultivation licenses, as specified in the AB 141 updates to Business and Professions Code (BPC) Section 26050.2, and the appropriation provided to the Department pursuant to the Revenue and Taxation Code Section 34019(a)(3).

PANEL

The following individuals will participate virtually in the discussion of this issue:

- Chuck Bonham, Director, Fish and Wildlife
- Miriam Kaplan, Finance Budget Analyst, Finance
- Krystal Acierto, Principal Program Budget Analyst, Finance
- Rachel Ehlers, Principal Fiscal & Policy Analyst, Legislative Analyst's Office

STAFF COMMENTS

While this seems like an appropriate use of the Cannabis Tax Fund, there may be policy decisions or expenditures made outside the Subcommittee that may call into question the future stability of using this fund source. Staff recommends holding this item open in order to coordinate with other subcommittees regarding the fund source.

Additionally, this Subcommittee may wish to ask for an update on the Department's efforts around cannabis enforcement, specifically:

- How is this impacted by Service Based Budgeting?
- How much funding has CDFW received for enforcement and how much are they proposing to spend in the FY 22-23 budget?
- How much funding has CDFW received for remediation and how much are they proposing to spend in the FY 22-23 budget?
- Of the remediation funding, how much has gone to staff time versus projects on the ground?
- Of the remediation funding spent on projects on the ground, where are those projects located and how many acres have been remediated?
- What percent of illegal grows have been shut down?
- What percent of the total number of identified illegal grow sites have been cleaned up?

- How much funding is CDFW intending to put out for another round of grant funding for restoration to address illegal cannabis cultivation impacts?

Staff Recommendation: Hold Open.

This agenda and other publications are available on the Assembly Budget Committee's website at: <https://abgt.assembly.ca.gov/sub3hearingagendas>. You may contact the Committee at (916) 319-2099. This agenda was prepared by Shy Forbes.