

AGENDA

ASSEMBLY BUDGET COMMITTEE NO. 3 RESOURCES AND TRANSPORTATION

ASSEMBLYMEMBER RICHARD BLOOM, CHAIR

TUESDAY, MAY 16

9:30 A.M. - STATE CAPITOL, ROOM 444

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ITEMS TO BE HEARD

3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION

ISSUE 1: CLIMATE ADAPTATION EXTENDED FIRE SEASON

The May Revision proposes an ongoing appropriation of \$42.379 million (\$42.070 million General Fund, \$309,000 Special Funds and Reimbursements), 18.5 positions, and 276.1 ongoing seasonal firefighters to add 42 year-round engines to the existing 10 year-round engines and to extend fire engine and helitack base ground crew staffing in the fall and spring.

BACKGROUND

Over the last five years, CAL FIRE has experienced a 25 percent increase in fire activity and data confirms that fire season length and intensity have noticeably increased over the past two decades.

Much of the increased fire activity is due to the conditions resulting from the extreme weather patterns over the last five years in California – the worst drought in modern history, overlaid with the three consecutive hottest years on record, followed by the wettest year on record. This weather of extremes, as many predicts will continue and result in larger, more frequent, and more intense fires.

Due to increased fire suppression needs, CalFire has utilized the Emergency Fund (General Fund) over the last several years to supplement their staffing and budgetary needs. The Governor declared drought emergency in January 2014 and CalFire received approximately \$23 million from the Emergency Fund that year. In 2014-15, CalFire received \$43 million from the Emergency Fund, in 2015-16, it was \$62 million and in 2017, it was \$77 million.

Instead of continuing to do so, CalFire is requesting to adapt its staffing allocation guideline and base budget with its actual needs given the ongoing impact of climate change, demographics, invasive species, and forest health conditions.

The additional 42 engines and the extension of fire engine and helitack staffing in fall and spring each calendar year is intended to provide an amount of resources within each of CalFire's 21 units to address climate driven conditions, based on the number of ignitions and acres. The extended fire engine and helitack base staffing would also provide surge capacity when there is an extended attack or major incident during this time, as is often the case with wind driven fires. This has the potential to avoid Emergency Fund costs, as more CAL FIRE engine and helitack base staff would be available for assignment to incidents, eliminating the need for costlier local government resources.

The General Fund portion of this budget request will be offset by a commensurate reduction in the Emergency Fund starting in FY 2017-18, which results in a zero net cost to the General Fund.

LAO COMMENTS

The LAO recommends requiring the department to provide additional information in budget hearings prior to approving the requested resources. In particular, the department should address why the requested increase from 10 to 52 year-round staffed engines is justified given a 25 percent increase in fire activity in the winter months. In addition, the LAO recommends the Legislature request that the department more fully describe the outcomes it anticipates to achieve with the additional firefighters, such as reduction in number acres burned and acres on which they perform fuel reduction activities. The further LAO notes that the administration's budget proposal assumes an equivalent reduction E-Fund expenditures. While there might be some reduction in future spending from E-Fund if the funded activities effectively reduce the number of large fires, it is not clear what level of savings will actually occur, if any. If the Legislature chooses to approve these additional resources, we also recommend approving them on a limited-term basis in order to ensure that the Legislature has an opportunity to revisit whether the requested level of resources reflects the ongoing need rather than the unique circumstances created by the recent drought.

STAFF COMMENTS

CalFire has had to rely on executive orders and/or emergency drought declarations over the last several years to provide emergency funds to address increased fire suppression needs. This request brings CalFire's resources in line with its actual needs.

Staff Recommendation: Hold Open

ISSUE 2: CAD HARDWARE AND SERVICE REFRESH

The May Revision proposes \$7.063 million General Fund in 2017-18, and \$1.3 million annually thereafter through 2021-22, to update the Altaris Computer Aided Dispatching (CAD) system.

BACKGROUND

The CAD system is CalFire's primary dispatch system used at CalFire's Emergency Command Centers, the Academy, and the Information Technology Services Headquarters Lab facility. The CAD system is also CalFire's primary automation tool used to facilitate initial attack dispatching operations by tracking the movement of CalFire personnel in order to dispatch resources to an emergency.

The CAD system was originally approved in March 2002. The Budget Act of 2007 included five years of funding for CAD hardware update and ongoing maintenance and support. Funding for the last CAD hardware update and five-year contract for software maintenance and support was provided in the Budget Act of 2012. The warranties for the current hardware purchased with this funding will expire on June 30, 2017. In addition, the current five-year CAD software maintenance and support contract with Northrop Grumman Systems Corporation (NGSC) is also set to expire on June 30, 2017. The new contract is scheduled to begin July 1, 2017.

According to CalFire, they do not have the staff or expertise necessary to service and maintain the CAD proprietary software system. Consequently, without ongoing service and maintenance support the system would be considered "out of service" as soon as the first software failure is reported. Any failure in CAD has the potential of increasing risks in emergencies. Dispatching would return to operating on a manual system, which would be a massive undertaking at each command center because the manual system has not been maintained and would require an enormous time commitment to re-establish.

The prior and current CAD software maintenance and support contract with NGSC were for five years, respectively. CAL FIRE has negotiated a third five-year CAD software and maintenance support contract with NGSC, which was most recently discussed with DGS in April 2017. In early May 2017, DGS informed CAL FIRE the five-year term of the proposed CAD software maintenance and support contract could run longer than this. This request if approved will provide a one-time hardware lifecycle replacement along with ongoing maintenance and support.

STAFF COMMENTS

Continued CAD operation requires ongoing maintenance and support for both software and hardware components. This request would enable CalFire to continue effectively dispatching resources to respond to 911 calls.

Staff Recommendation: Hold Open

ISSUE 3: EMERGENCY DROUGHT ACTIONS

The May Revision proposes a reduction of \$49.281 million General Fund from the January Governor's Budget of \$90.984 million, resulting in a total request in Fiscal Year 2017-18 of \$41.703 million (\$38.718 million General Fund and \$2.984 million SRA Fire Prevention Fund).

BACKGROUND

The Governor's proposed budget in January included \$90.984 million (\$88.1 million General Fund and \$2.9 million SRA Fund) for CalFire for expanded fire protection in the 2017 fire season. This includes continuation of increased firefighter surge capacity, extended fire season, surge helicopter pilots, California Conservation Corps fire suppression crews, increased vehicle maintenance and exclusive use of the large and very large air tankers. The proposed budget also reflected an additional \$90.350 million General Fund in the current fiscal year, supported by the Emergency Fund, to initiate these enhanced fire protection efforts in the spring of 2017.

Based on updated weather and fuel conditions, CalFire is reducing the \$90.984 million to \$41.703 million. CalFire is also reducing the current fiscal year amount to \$46.971 million. The majority of the savings come from reducing the extended fire season staffing in recognition of the climate adaptation budget request, eliminating the surge helicopter pilots, and reducing the number of exclusive use large and very large air tankers.

The remaining funding requested would be used to address the massive tree mortality and bark beetle infestation, as detailed in the October 30, 2015, Governor's State of Emergency Proclamation on the tree mortality epidemic.

On November 18, 2016, the U.S. Forest Service increased its estimate of the number of dead trees in California's forestlands from 66 million to 102 million. Large numbers of trees are dying due to six repeated years of drought, which has weakened trees and left millions of acres of forestland highly susceptible to bark beetle attacks. Drought stress is exacerbated in forests with too many trees competing for limited resources, especially water. Tree losses due to drought stress and bark beetle attacks are expected to increase until precipitation levels return to normal or above normal for several years. Research suggests forests recovering from drought take two to four years; drier forests take longer. Additional research shows high variability in response, with some species taking up to five years. It is, however, important to note that dead and dying trees will continue to increase fire risk until the trees burn, decompose, or are removed. The current 102 million dead and dying trees, along with inevitable incremental increases in mortality, will directly affect fuel conditions and fire behavior for up to 20 years.

Even after a normal rainy season, the dead vegetation will continue to dry out from past drought. Due to the large amount of moisture that a tree can store, it can take up to three years to completely die, as seen in Fresno County. The amount of diseased or

infected trees, other increased dead fuels such as brush and smaller trees, and below average fuel moisture, has weakened trees to the point that they can fall down more easily during wind and snow storms, thus continuing to increase the dead fuel loading. The result of low live fuel moisture mixed with an abundance of dead fuel loading will increase the probability of fire starts and rapid rates of fire spread even during non-wind events, and will likely contribute to increased fire activity during hot periods, which also makes the fuels easier to ignite. Additionally, fallen dead trees will make it significantly more difficult, if not impossible, to conduct fuel reduction activities like prescribed burns. In short, there is a closing window of time, to effectively thin forestlands before the dead trees fall in large numbers.

STAFF COMMENTS

As noted in the background, the amount of fire fuel as a result of the massive tree mortality remains a big concern despite the drought being over. The Subcommittee may wish to ask CalFire how it is prioritizing fuel reduction activities. The Subcommittee may wish to additionally allocate resources to enable CalFire to engage in activities such as prescribed burn.

Staff Recommendation: Hold Open

3860 DEPARTMENT OF WATER RESOURCES

ISSUE 4: DROUGHT EMERGENCY RESPONSE

The May Revision proposes \$9.5 million General Fund for emergency drinking water projects and the Save our Water Campaign. This is \$8 million reduction from the Governor's January budget of \$17.5 million for DWR to carry out drought-related activities.

BACKGROUND

The recent drought was considered the worst ever, with some of the driest months since the state began keeping records in 1895. With several month of heavy rain, most of our reservoirs have replenished. Executive Order B-40-17 lifted the Governor's previous drought declaration in all but four counties.

Despite the abundance of rain and snow over the winter and spring, communities and residents solely dependent on groundwater continue to suffer. DWR is actively working with local counties, communities, the Office of Emergency Services, and the State Water Resources Control Board to address ongoing critical water supply issues.

Projects continue and are still being developed in Fresno, Kings, and Tulare Counties in particular. Many private wells have run dry and it could be years before they recover and are able to reliably provide water. Groundwater in the Central Valley and some coastal areas remain at critical levels in many regions and DWR will be required to maintain its role in providing technical and direct assistance to these regions and sectors.

According to the Administration, although the drought may be over for much of California, much work remains to recover from and prepare for the next drought including further efforts to help establish water conservation as a way of life. This request provides for direct support to address solutions for drinking water shortages, support increased conservation and the ability to work directly with local agencies to implement required actions.

This proposal reduces funding for DWR's drought response activities but continues to support the following needs:

- \$5 million local assistance and related support costs for emergency drinking water projects in areas of diminished groundwater supplies in the Central Valley,
- \$3.5 million for projects that enhance conditions for Delta smelt, and
- \$1 million for the Save Our Water campaign to focus on "Making Water Conservation a California Way of Life."

LAO COMMENTS

The LAO Recommends Rejecting Proposed \$1 Million for Save Our Water Campaign. Given the end of the drought emergency, the LAO does not believe continuing a statewide public relations campaign for water conservation in 2017-18 is the highest priority for General Fund resources. If the state proceeds with some form of establishing new urban water use reduction targets—as seems likely given legislative proposals and the proposed trailer bill—water agencies will have incentives to continue encouraging water conservation at the local level. Moreover, many local agencies (including Metropolitan Water District, which provides water to 19 million people) are already undertaking locally funded, region-specific water conservation campaigns.

STAFF COMMENTS

Staff concurs with the LAO. A recent Chapman University report raises questions surrounding the effective water conservation campaigns in California. The report found that conservation campaigns in general rendered participants less inclined to take action to conserve water.

Safe drinking water is a human right. Given the dire situation in my communities reliant on ground water and domestic wells, the Subcommittee may wish to increase the proposed amount for emergency drinking water projects as well as other safe drinking water initiatives.

Staff Recommendation: Hold Open

ISSUE 5: DAM SAFETY AND EMERGENCY FLOOD RESPONSE

The May Revision includes the Administration's dam safety and emergency response proposal, which was initially submitted to the Legislature as a current year proposal in February 2017. Specifically, the MR proposal includes:

- \$6.5 million as a General Fund loan to the Dam Safety Fund, to be repaid from revenue generated from dam safety fees, and 12 positions to support the following program enhancements. This includes:
 - \$3 million for the Department of Water Resources (DWR) Division of Safety of Dams to conduct more extensive evaluations of appurtenance structures, such as spillways, gates, and outlets; and,
 - \$3.5 million for DWR to review and approve required inundation maps and coordinate the review of emergency plans.
- \$1.9 million General Fund and four positions for the Office of Emergency Services to review and approve dam-related emergency response plans, and coordinate with local emergency management agencies on incorporation into all-hazard emergency plans (there is a distributed administration adjustment in the amount of \$175,000 to conform to this action).
- \$387.1 million Proposition 1 funding for DWR to accelerate a portfolio of flood control projects over the next two fiscal years.

	Program Area	Prop 1 Available	Total Appropriation
Delta	Urban Flood Risk Reduction	\$295	\$65
	Delta Levee Subventions		\$27
	Delta Special Projects		\$57.1
	“Systemwide” Flood Risk Reduction		\$130
	Emergency Response		\$10
Central Valley and Coastal Watersheds	Coastal Watershed Flood Risk Reduction	\$100	\$27
	Central Valley Tributary Projects		\$50
	“Systemwide” Flood Risk Reduction		\$21
Total			\$387.1

- Trailer bill language to require dams to have an emergency action plan that is updated every ten years, updated inundation maps every ten years, or sooner if specific circumstances change, and provide DWR with enforcement tools, including fines and operational restrictions for failure to comply.

BACKGROUND

The May Revision proposal is nearly identical to what was proposed in February. The only changes include two technical changes in the trailer bill language and an extended repayment period for dam operators to repay the General Fund Loan.

Flood Conditions in 2017: The heavy rainstorms in recent months, referred to as “atmospheric rivers,” have reduced the areas in drought conditions to a small part of Southern California, according to the US Drought Monitor. Northern California has recovered from the five-year drought. Much of the Sierra Nevada, which provides the water supply for much of California, saw its rainiest and snowiest October-February period on record. The heavy precipitation has caused flooding, levee breaks, and sinkholes in some regions. These events, most notably the Oroville spillway breach, have generated concern over California’s flood protection infrastructure. Even after the rains stops, the record high snowpack in the mountains could potentially generate more big flows in the late spring.

Proposition 1 is a \$7.5 billion water bond measure approved in November 2014. The bond included a total of \$395 million for flood management projects. The bond language requires that all of the funding be allocated for “multi-benefit projects that achieve public safety and include fish and wildlife habitat enhancement.” Of the \$395 million total, \$295 million is specifically reserved to reduce the risk of floods and levee failures in the Sacramento-San Joaquin Delta. The remaining \$100 million can be used anywhere in the state.

DWR’s Dam Safety Program is comprised of four basic safety activities; they include annual maintenance inspections, construction oversight, application reviews, and reevaluation of existing dams. There are 1,250 dams in California subject to the program and are inspected annually. These dams are currently classified in three categories consistent with federal definitions; high hazard (678), significant hazard (271) and low hazard (289). Two dams are under review for classification. The current inspection process focuses heavily on the dam itself and includes a visual inspection of the appurtenant structures. The re-evaluation component of the program over the last 10 years has focused on the highest risk to California dams including a seismic re-evaluation of dams in areas that have a high probability of a major earthquake occurring. The recent seismic re-evaluation program has led to over \$1 billion in repairs to dams.

Emergency Action Plans are a critical component of a strong dam safety program. The plans outline the action steps that are taken to protect life and property. They include components of detection measures through inspections and maintenance,

determinations of emergency levels based upon the threat of flooding, notification protocols for local government and the public, and other preventive measures dam owners/operators can take. The emergency plans utilize dam inundation mapping to guide actions and notification protocols since they show the potential area of flooding and its impacts.

Inundation Maps, which provide the basis for Emergency Action Plans, are maps that show where flooding may occur should a flood control system fail. It includes downstream effects and shows the probable path by water released due to the failure of a dam or from abnormal flood flows released through a dam's spillway and/or other appurtenant works. Furthermore, these maps are currently only required for a sunny day full dam failure scenario, and do not take into account a failure of an appurtenant structure or failure of downstream flood facilities such as a levee breach. Additional inundation maps are also needed for other critical flow control structures and saddle dams, which will be identified by DWR.

These maps are created at the time a dam is built or enlarged and are only required for a complete sunny day dam failure scenario. They do not take into account a failure of an appurtenant structure as occurred at Oroville. The DWR Division of Safety of Dams currently has no enforcement power to mandate completion of Emergency Action Plans or inundation maps.

The Governor's Proposal. With the requested resources, the Governor proposes for DWR to do a complete reconnaissance of the geologic, hydraulic, hydrological, and structural adequacy of the identified 108 largest spillways in the State by October 1, 2017. By January 1, 2018, DWR will complete a thorough site investigation and evaluation of those spillways that are found to be potentially at risk. Immediate action such as emergency repairs or reservoir operation restrictions will be required of dam owners as necessary to reduce the risk of any spillway identified to be in poor condition as a result of the study. DWR will complete evaluations of the remaining spillways by January 1, 2019 and direct dam owners to make required repairs or restrict reservoir operations as needed.

The Governor proposes for DWR to re-classify jurisdictional dams as extremely high, high, significant or low risk. The DWR will require inundation maps and Emergency Action Plans for all jurisdictional dams allowing a waiver for low hazard dams. During regular inspections, DWR will track any dams where the hazard classification has changed and reassess the waiver as necessary.

DWR will identify which scenarios beyond a complete dam failure require a separate inundation map. The dam owner will create the inundation map and submit to the DWR, which will be reviewed and approved by DWR's Division of Flood Management. The approved maps will then be posted publicly on DWR's website and linked to Cal OES' website.

Dam owners will be responsible for creating Emergency Action Plans in accordance with federal guidelines and based on their updated inundation maps. Cal OES will provide guidelines regarding the coordination between dam owners and local emergency management agencies to create local emergency response plans. Dam owners will submit the plans through DWR, who will work with Cal OES to review and confirm that plan components are acceptable for incorporation into and to guide local emergency response plans.

The dam owner will send the final Emergency Action Plans and inundation map to DWR, Cal OES and local emergency management agencies. Cal OES will coordinate emergency response drills with dam owners and local emergency management agencies. The dam owner will be required to update the Emergency Action Plans regularly in accordance with federal guidelines and update the inundation maps every ten years or sooner if there is a change in dam status or change in downstream risk.

The proposal will provide DWR additional enforcement power over dam owners who are not complying with the new emergency plan/inundation maps requirements. The proposal will propose revisions to the Water Code to incorporate penalties such as fines and reservoir operation restrictions when dam owners violate DWR's directives and orders.

LAO COMMENTS

The LAO Recommends Appropriating Portion of Proposition 1 Flood Funding, Reserving Remainder of Funds for Future Needs. Instead of the Governor's proposal to appropriate all (\$387 million) of the Proposition 1 flood funding in 2017-18, the LAO recommends the Legislature provide only a portion of the total. The LAO's rationale is as follows:

- ***Flood Management Merits Additional Spending...*** A strong rationale exists for providing additional funding to improve the state's ability to manage floods. Much of the state's extensive flood management infrastructure is aged and in need of improvements.
- ***...However Projects Supported by Previous Flood Funding Still Underway.*** Given local entities are still in the midst of implementing flood projects with billions of dollars of funding from Propositions 84 and 1E, the local capacity to immediately undertake new projects with the full amount of Proposition 1 funding seems uncertain.
- ***New Urgent Needs Could Emerge in Coming Years, Additional Source of Funding Not Yet Identified.*** Given a significant source of funding for future flood projects—such as a new Central Valley regional assessment or a new statewide general obligation bond—has not yet been identified, we believe the state should preserve some Proposition 1 funding to be able to address flood management needs and priorities that may develop in the coming years.

- Two of Governor's Proposals Represent New Programs About Which Detail is Somewhat Lacking.** Of the eight program areas the Governor has proposed for the Proposition 1 funds, two (Central Valley tributary projects and coastal watershed projects) represent new programs/efforts. The administration has provided limited information as to how these programs would be structured, how flood management needs in these regions have been assessed, how projects would be selected, and how funds would be prioritized for expenditure. In contrast, the other six expenditure categories represent existing programs or projects reflecting the clear prioritization criteria in the comprehensive 2017 Draft Update to the Central Valley Flood Protection Plan (CVFPP) that the state has recently completed.

The LAO Recommends Providing Some Funding to Continue Ongoing Efforts, Delaying Implementation of New Efforts. In the figure, the LAO illustrate one possible alternative approach the Legislature could take. This approach would provide one-third of the funding the Governor requested to continue existing programs and initiate system wide projects identified in the draft CVFPP Update, and retain the remaining funding for future prioritization and appropriation. This alternative would hold off on providing funding for the Governor's two new proposed programs until the administration provides additional detail in future budget change proposals and the Legislature is better able to evaluate their merit in the context of other programs and identified needs.

Program Category	Amount (in millions)	
	Governor	LAO Alternative
Delta		
Systemwide flood risk reduction projects	\$ 130.0	\$ 43.3
Urban Flood Risk Reduction Program	\$ 65.0	\$ 21.7
Delta Special Projects Program	\$ 57.1	\$ 19.0
Delta Levee Subventions Program	\$ 27.0	\$ 9.0
Emergency response projects	\$ 10.0	\$ 3.3
<i>Subtotal</i>	\$ 289.1	\$ 96.4
Statewide		
Central Valley tributary projects	\$ 50.0	\$ -
Coastal watershed flood risk reduction projects	\$ 27.0	\$ -
Central Valley systemwide flood risk reduction projects	\$ 21.0	\$ 7.0
<i>Subtotal</i>	\$ 98.0	\$ 7.0
Total	\$ 387.1	\$ 103.4

The LAO Recommends Adding Budget Bill Language Guiding Use of Funds. To ensure these flood funds are used in a cost effective manner and as the Legislature intends, we recommend the Legislature (1) schedule the appropriations in the budget bill in specific expenditure categories, so that the administration must come back to the Legislature to request a change if it wants to redirect funding in a different manner, and (2) include language that funding must be spent in accordance with the framework established in the 2017 CVFPP Update to be sure that a strategic statewide approach is followed. We also (3) recommend the Legislature reject the Governor's proposed language that the funds be encumbered or expended by June 30, 2019, as this establishes an unreasonable timeline for complex flood management projects.

STAFF COMMENTS

This proposal seeks to do two things, enhance dam safety and accelerate investments in flood control projects. Staff has no concerns with the dam safety portion of the proposal but concurs with the LAO's comments regarding the acceleration of the Proposition 1 funding.

Staff Recommendation: Hold Open

3940 STATE WATER RESOURCES CONTROL BOARD

ISSUE 6: DROUGHT RESOURCES – UPDATED REQUEST

The May Revision proposes a \$4.7 million General Fund reduction. The Governor's January budget proposed \$5.3 million for drought-related activities. The requested reduction will maintain a budget of \$600,000 to support four positions to conduct drought-related compliance and enforcement issues currently underway at the State Water Resources Control Board.

BACKGROUND

The Water Board allocates water rights, adjudicates water right disputes, develops statewide water protection plans, establishes water quality standards, and guides the nine Regional Water Quality Control Boards located in the major watersheds of the state. The diminished water supplies during the drought led to a number of water rights conflicts.

The diminished water supplies during the drought increased enforcement and other activities for the Water Board. During this time, the Water Board initiated a near real-time analytical effort using the water right priority system to determine how far the limited water supply could be stretched to serve critical needs.

The increased precipitation in 2017 improved water supply conditions in many areas of the state. As result, the State Water Resources Control Board no longer requires additional resources for water curtailments and emergency change petitions.

STAFF COMMENTS

Staff has no concerns with this proposal.

Staff Recommendation: Hold Open

ISSUE 7: IMPLEMENTATION OF CONSERVATION RESPONSIBILITIES

The May Revision proposes five positions to establish a new conservation unit within the Office of Research, Planning, and Performance to support efforts consistent with the April 2017 report "Making Water Conservation a California Way of Life."

BACKGROUND

In May 2016, Governor Brown issued Executive Order B-37-16, "Making Water Conservation a California Way of Life." The executive order builds on temporary statewide emergency water restrictions to establish permanent water conservation measures, which include permanent monthly water use reporting; new, permanent water use standards in California communities; and bans on wasteful uses of water, among other actions. Making conservation a way of life is one of the key actions, identified in the California Water Action Plan, needed to put the state on a path towards long-term sustainable water management.

The Administration is also proposing trailer bill language to provide the authority needed to establish and implement the new urban water use efficiency standards, a long-term reporting program, and permanent prohibitions on wasteful uses of water, as called for in the executive order.

Simultaneously, there are eight measures moving through the legislative process that seeks to accomplish a similar goal of achieving long-term water conservation and drought resilience. Some of the bills propose a near-identical approach to the trailer bill and some of the bills propose competing approaches.

The board is requesting position authority for five permanent positions to support the implementation of conservation planning and management work needed to implement the executive order and the proposed trailer bill. The resources will be used to establish a conservation management unit in the Office of Research, Planning and Performance. This proposal would be funded by redirecting \$554,000 General Fund from board's operating expenses budget.

LAO COMMENTS

The LAO recommends the Legislature reject the administration's proposal because the Legislature is considering water conservation legislation through the policy committee process. The SWRCB requests position authority for 5.0 permanent positions to establish a conservation unit to implement the Governor's Executive Orders and budget trailer legislation proposed in April. The proposal would be funded by redirecting \$554,000 General Fund from SWRCB's operating expenses budget. We note that the Legislature is currently considering various policy bills that would implement water conservation policies similar to those proposed in the Governor's proposed budget trailer legislation. In our view, it is premature to approve resources to implement the

Governor's priorities while legislation reflecting the Legislature's priorities is still under consideration. Furthermore, until legislation is enacted, it is difficult to accurately assess the additional resources SWRCB will need to implement it and whether the resources should be limited-term or ongoing. The administration can come back in January and submit a proposal based on the contents of the enacted water conservation legislation.

STAFF COMMENTS

This proposal assumes water standard requirements will be enacted in 2017, whether through the budget process or legislative process. Further, depending on the exact requirement imposed, the Water Board may not need the entirety of the requested resources. Staff recommends approving a placeholder amount to be finalized contingent upon the enactment of water standard requirements.

Staff Recommendation: Hold Open

3600 DEPARTMENT OF FISH AND WILDLIFE

ISSUE 8: 2017-18 DROUGHT MODIFICATIONS

The May Revision proposes \$2.6 million General Fund for legacy drought response activities; this is a \$5.6 million General Fund reduction from the Governor's January budget of \$8.2 million.

BACKGROUND

During the multi-year drought, the Legislature and Governor deployed significant resources to address a multitude of water challenges brought on by water shortage. The Department of Fish and Wildlife (DFW) was provided additional resources for fish rescue and stressor monitoring, water efficiency projects on department lands, law enforcement activities, and to provide infrastructure to protect salmon.

Executive Order B-40-17 lifted the Governor's previous drought declaration in all but four counties. As a result of improved conditions and significantly increased precipitation this year, DFW no longer requires additional resources for new infrastructure, terrestrial monitoring, salmon passage criteria, and increased law enforcement.

This request maintains a budget of \$2.6 million to support acoustic monitoring in the Delta and maintenance of infrastructure procured during the drought. DFW intends to move forward with a long-term fish tracking system that will allow for real-time analysis of fish movement to provide more accurate data for decision making. Additionally, it would facilitate adaptive management strategies by tracking spatial and temporal success of restoration and management activities.

STAFF COMMENTS

Staff has no concerns with this request.

Staff Recommendation: Hold Open

ISSUE 9: VOLUNTARY AGREEMENTS FOR SACRAMENTO – SAN JOAQUIN RIVER

The May Revision proposes \$1.1 million General Fund and five positions to provide resources to negotiate, complete, and implement voluntary agreements in tributaries to the Sacramento-San Joaquin Rivers and the Delta. These agreements are intended to create water supply and regulatory certainty for water users, and improve ecological flow and habitat for species.

BACKGROUND

In January 2014, the Administration released the “California Water Action Plan (CWAP), which is a roadmap for the state’s journey toward sustainable water management. One of the action highlighted in the plan is “protect and restore important ecosystems.” The CWAP provides that:

"The administration, with the involvement of stakeholders, will build on the work in tributaries to the Sacramento and San Joaquin river, analyze the many voluntary and regulatory proceedings underway related to flow criteria, and make recommendations on how to achieve the salmon and steelhead and ecological flow needs for the state's natural resources through an integrated, multi-pronged approach."

The CWAP also identified the need for the State Water Resources Control Board to update the Bay Delta Water Quality Control Plan, which requires understanding and analysis of ecological conditions in over 20 streams in the Central Valley. The water board has begun this update and DFW has been an active participant in and provided both written and oral comments. Through those ongoing efforts, the board has publicly stated its desire for parties to reach voluntary agreements that they can consider in lieu of lengthy water rights proceedings.

DFW is currently involved in many, if not most, tributaries to the Sacramento and San Joaquin Rivers and working directly with irrigation districts and water agencies through existing administrative processes. This includes Federal Energy Regulatory Commission relicensing of hydroelectric facilities, through collaborative discussions about ecological flow and restoration programs, and through programs like the DFW’s Voluntary Drought Initiative.

The State provided \$816,000 to DFW in 2016 to support legal assistance and re-direct staff to fully engage in voluntary agreement negotiations. This has allowed DFW to develop the preliminary scientific and modeling evaluations necessary to negotiate critical terms of the voluntary agreements. Additionally, this level of support has provided assurance of the State's commitment to these efforts, which subsequently motivated parties to become similarly engaged. So much that formal negotiations on the San Joaquin tributaries is now underway.

LAO COMMENTS

The LAO Recommends Adding Budget Bill Language Restricting Use of Funds. To ensure that General Fund-supported staff work is targeted for project assessment and implementation work that serves/improves public trust resources (and not private interests, which should be supported by project permit fees or private funds), we recommend adding budget bill language stipulating that requirement.

STAFF COMMENTS

Staff concurs with the LAO. The Subcommittee may wish to add budget bill language to ensure General Fund is not supporting private interests.

Staff Recommendation: Hold Open

3560 STATE LANDS COMMISSION**ISSUE 10: PLUG AND ABANDONMENT OF PLATFORM HOLLY AND ELLWOOD BEACH PIERS**

A May Revision proposal requests a one-time General Fund loan of \$10 million to provide adequate staffing for Platform Holly and the Ellwood Onshore Facility, and the plugging and abandonment of the oil wells on the platform and at the Ellwood Beach Piers.

BACKGROUND

The Commission was created by the California Legislature in 1938 to manage the oil, gas, and other mineral resources belonging to the state. The Commission was given the authority and responsibility to prudently manage and protect the natural and cultural resources on public lands within the state. These include the State's tide and submerged lands which extend from the shoreline out to three miles offshore.

Venoco, LLC is the lessee for three state oil and gas leases offshore Ventura County. Lease No. PRC 421 is for the Ellwood Beach Piers while Lease Nos. PRC 3120 and 3242 are the oil fields serving Platform Holly.

On May 19, 2015 the underground pipeline that transports oil produced from Platform Holly ruptured causing the Refugio Oil Spill. The line remains shut down with no specific timeline for repairs or resuming operations. Consequently, there has been no production from Platform Holly since the incident.

On April 17, 2017, Venoco, LLC quitclaimed its interests in the three offshore oil and gas leases back to the Commission. Venoco has filed for bankruptcy and plans to pursue liquidation of its assets under the United States Bankruptcy Code. Venoco's quitclaims along with their financial inability to continue staffing and operating these leases creates a significant safety concern.

The Commission is in the in process of calling on a \$22 million performance surety bond associated with these leases. Due to the timing of actual receipt of the bond funding, the Commission is requesting a General Fund appropriation for 2017-18. Upon receipt of surety bond funds, to be deposited in a Special Deposit Account, a transfer to the General Fund will occur as repayment for the Commission's costs associated with appropriations in 2016-17 and 2017-18.

STAFF COMMENTS

The State Lands Commission continues to pursue options for financial recovery, whether from the performance surety bond or other liable parties. Providing the Commission a loan in the meanwhile would allow the Commission to continue to maintain the facilities and begin to plug and abandon the wells to reduce the possibility of an accident.

Staff Recommendation: Hold Open

3720 CALIFORNIA COASTAL COMMISSION

ISSUE 11: STABILIZE BASELINE FACILITIES FUNDING

A May Revision proposal requests an ongoing \$637,000 from the Coastal Act Services Fund to augment the Commission's baseline state operations budget. The requested resources would cover:

1. \$600,000 for increased facilities costs for Commission's facilities;
2. \$37,000 per year for archives of regulatory files at Department of General Services (DGS) State Records Center.

BACKGROUND

The California Coastal Commission is tasked with reviewing and approving land use planning for the entire 1100-mile California coastline, acting as the State's liaison to both local and federal government on all planning and development issues affecting the coastal region, and conducting long-term planning and research to ensure the preservation and careful development of coastal resources.

The Commission maintains historic public records regarding program history and implementation of its core mandates and statutory responsibilities. Many of these records are housed at the DGS State Record Center in Sacramento. Over time, records are purged; however, there is a significant portion of the Commission's records that must be maintained and historically archived. The cost of DGS Record Center Services and storage has increased over time.

The Coastal Commission has its headquarters in San Francisco, an office in Sacramento, and District offices in Areata, Santa Cruz, Ventura, Long Beach and San Diego. The Coastal Commission works with DGS to lease the aforementioned office spaces. Facility costs for the Commission offices have increased in the last five years by roughly \$600,000.

LAO COMMENTS

The LAO Recommends Approving on a One-Year Rather Than Ongoing Basis. The Governor's proposal to provide an additional \$637,000 in ongoing funding from the Coastal Act Services Fund—combined with the other proposal for \$122,000 to fund a new accounting analyst—would create a new \$545,000 operating shortfall in the fund. We therefore recommend approving this request on a one-time rather than ongoing basis and requiring the administration to come back with a more sustainable approach in its 2018-19 budget proposal. The fund's reserve can support this additional expenditure for 2017-18.

STAFF COMMENTS

The cost of office space and records keeping has increased over the years. Staff has no concerns over the requested resources. However, the funding source proposed in this request is problematic. The ongoing nature of this request would render the Coastal Act Services Fund out of balance.

The Coastal Commission has been historically under-funded. This request represents a small increase to their baseline budget. The Subcommittee may wish to fund this request with a different funding source.

Staff Recommendation: Hold Open

ISSUE 12: ESSENTIAL ACCOUNTING AND FINANCIAL STAFF CAPACITY

A May Revision proposal requests an appropriation of \$244,000 (\$144,000 General Fund and \$144,000 Coastal Act Services Fund) for two positions to address recommendations in the December 2016 State Audit and Evaluation Report.

BACKGROUND

The Department of Finance, Office of State Audits and Evaluation (OSAE) issued a report on the Coastal Commission on December 2016. The OSAE review included recommendations to improve fiscal management and control processes.

Specifically, the OSAE recommended that the Commission centralize all billing and collections in the accounting unit; develop and maintain a range of detailed written schedules and procedures; and develop and maintain an annually federally approved indirect cost rate.

The Coastal Commission management staff has developed a plan to address but require additional resources to fulfill the additional workload. This May Revision proposal requests for two positions to implement the OSAE recommendations.

STAFF COMMENTS

Staff has no concerns with the proposal.

Staff Recommendation: Hold Open

ISSUE 13: PILOT ENFORCEMENT PROGRAM EXPANSION

A May Revision proposal requests an appropriation of \$260,000 from the Violation Remediation Account for two positions in 2017-18, 2018-19, and 2019-20 to expedite Coastal Act violation case backlog and to implement new statutory authority to impose penalties administratively for violations that impact public access.

BACKGROUND

The Commission's Enforcement Program enforces all aspects of the Coastal Act to ensure all development in the coastal zone complies with the Coastal Act requirements, that violations are resolved, and associated liabilities are addressed. The Commission has the ability to issue cease and desist orders in certain circumstances, restoration orders, and through the superior court, civil liabilities for violations of the Coastal Act on a one-time and daily basis per violation.

At the end of 2016, the Commission's Enforcement Program had 2,339 open, backlogged violation cases, and this number continues to grow by approximately 118 cases a year. The Coastal Commission requests for staffing resources for a three-year pilot program to help address the case backlog, continuing increase in Coastal Act violation cases, and implementation of the Coastal Commission's new statutory authority to impose penalties administratively for violations that impact public access.

STAFF COMMENTS

Staff has no concerns with the proposal. Approving this request would enhance the Coastal Commission's ability to protect the public's rights of access to the coast.

Staff Recommendation: Hold Open

3960 DEPARTMENT OF TOXIC SUBSTANCES CONTROL

ISSUE 14: EXIDE CLOSURE IMPLEMENTATION

A May Revision proposal requests a loan of \$1.4 million annually for three-years from the Lead-Acid Battery Cleanup Fund to the Hazardous Waste Control Account for a third-party quality assurance contractor to provide oversight of the activities conducted under the Closure Plan for the Exide Technologies, Inc. facility in Vernon.

BACKGROUND

The Exide facility is located in the City of Vernon, began operations as a lead smelter in 1922. Exide purchased the facility in 2000 and Exide's operations included treatment and recycling of spent lead-acid batteries. The Exide facility suspended its operations in 2013 in response to enforcement actions and permanently closed the facility in 2015.

In November 2014, DTSC ordered Exide to maintain a surety bond of approximately \$11 million and to establish a closure/post closure trust fund to ensure adequate funding for closure. DTSC estimates that closing the Exide facility will require Exide to spend \$38.6 million.

In March 2015, DTSC required Exide to submit an updated Closure Plan to close the facility in accordance with applicable laws and regulations. Exide also signed a Non-Prosecution Agreement with the United States Department of Justice that requires Exide to comply with certain orders issued to Exide by DTSC.

On December 8, 2016, DTSC approved the Closure Plan for the Exide facility. The Closure Plan requires the work to be overseen by a third-party quality assurance (QA) contractor hired by the regulatory agencies and funded by Exide. The third-party QA contractor will provide oversight for implementation of the Closure Plan to ensure that the closure activities do not add additional environmental impacts that are not already identified in the Environmental Impact Report (EIR) to the surrounding neighborhoods. This provision was included in the Closure Plan by DTSC in response to requests and concerns raised by the communities near the Exide facility.

DTSC intends to use the spending authority contained in this proposal to ensure payment to the contractor in the event that Exide disputes or rejects any invoice submitted by DTSC for reimbursement. DTSC would repay the loan as it receives payment from Exide for any late or disputed invoice.

STAFF COMMENTS

Nonpayment by DTSC to the contractor may cause a suspension of oversight work. This proposal will ensure that DTSC has the spending authority necessary to pay the contractor until it received reimbursement from Exide.

Staff Recommendation: Hold Open

ISSUE 15: AUGMENTATION FOR NATIONAL PRIORITIES LIST AND STATE ORPHAN SITES

A May Revision proposal requests a one-time appropriation of \$3.7 million penalty revenues from various funds (\$0.5 million from the Department of Pesticide Regulation Fund, \$2.7 million from the Air Pollution Control Fund, and \$0.5 million from the Waste Discharge Permit Fund) to direct site remediation at National Priorities List and state orphan sites. DTSC also requests provisional language be included in the Budget Bill to allow this.

BACKGROUND

The Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), also known as the “superfund,” was passed in 1980 to help address cleanup needs at the nation's most heavily contaminated toxic waste sites. Hazardous waste sites eligible for long-term remedial action financed under the superfund program are placed on the National Priorities List (NPL). Sites placed on the NPL contains the most heavily contaminated and difficult to clean up hazardous waste sites.

In partnership with the USEPA, DTSC acts on behalf of the State of California to remediate sites listed on the NPL. Under CERCLA, at sites where the responsible party cannot be found or cannot pay, the state is legally obligated to pay 10 percent of the cost of constructing the cleanup remedy (federal funds pay 90 percent), and 100 percent of the cost of operating and maintaining the remedy after it is built.

Over the past several years, DTSC has received an annual appropriation of approximately \$10 million for site remediation. According to DTSC, the funds allocated have not met historic demand. For example, in 2016-17, DTSC project managers identified a funding need that was more than twice the current appropriation. Underfunding this work has created a backlog at DTSC.

STAFF COMMENTS

CERCLA legally obligates DTSC to pay for 100 percent of operations and maintenance costs at NPL sites. The requested resources would allow DTSC to fully fund the state's NPL obligations and to protect the public and the environment from hazardous substances.

Staff Recommendation: Hold Open

3970 RESOURCES RECYCLING AND RECOVERY**ISSUE 16: ENHANCED OVERSIGHT, AUDIT, AND ENFORCEMENT IN THE BEVERAGE CONTAINER RECYCLING PROGRAM**

A May Revision proposal requests \$2.3 million Beverage Container Recycling Fund and 22.0 positions to convert limited-term resources into permanent to sustain increased and enhanced oversight, audit, and enforcement functions within the Beverage Container Recycling Program (Program).

BACKGROUND

Beverage container recycling is a multi-billion-dollar a year industry, and California is one of only ten states in the United States with a bottle bill program. Program revenues come from primarily two sources: the beverage manufacturers who pay processing fees to CalRecycle and beverage distributors who make redemption payments to CalRecycle for beverage container sold or transferred in California.

In 2015, over 23 billion containers were sold or transferred in California. On a daily basis, over 50 million containers are recycled. The recycling rate of the program reached 85 percent in 2013. A portion of the increase in the recycling rate is due to a substantial increase in fraud by individuals and entities attempting to compromise the integrity of the Fund. Based on CalRecycle's experience, as well as the experiences of the Department of Justice, the majority of Program fraud and illicit payments is associated with the importation and subsequent illegal redemption of imported out-of-state empty beverage containers and re-redemption of CRV empty beverage containers purchased from consumers in California.

In November 2014, the California State Auditor conducted an audit of the Program. The Auditor's report recommended that CalRecycle implement changes to address several areas to protect the Fund from the risk of the importation and illegal redemption of imported out-of-state empty beverage containers.

In the 2015 Budget, five limited-term positions for auditors were approved to audit Beverage Manufactures and Distributors within the BCRP. As two-year limited term positions, there were challenges to recruiting for the position and keeping the positions filled. Two of the positions were filled by March 2015. The five positions were fully staffed between November 2015 and February 2016. In February 2016, two of the auditors transitioned into other permanent positions and CalRecycle has been unable to hire qualified candidates. All five limited term positions will expire on June 30, 2017.

Despite the hiring challenges, the limited term auditors started a total of 32 audits, and have been able to complete 10 of them. The total findings of these 10 audits have amounted to \$251,488. Additionally, there are 22 audits still in progress and the Department estimates that projected findings for this 22 audits will amount to a total of

\$793,774. The total amount of findings to which these five positions will have contribute amounts to \$1,045,262.00. These “findings” represent underpayments of CRV and/or Processing Fees identified by the audits.

The limited term positions have helped cleared the backlog issues that CalRecycle had experienced in the past. Every year we plan to conduct certain number of audits; if an audit is not performed within the year in which it is planned for, it will be carried to the next fiscal year. The limited term auditors help conduct the low-volume audits, thus allowing the seasoned auditors to focus on the more difficult high-volume audits. Therefore, not many audits have to be pushed to the next fiscal year. In addition, many audits are in the quality control inventory waiting to be reviewed to make sure the audit conclusion is supported by sufficient appropriate evidence before the report can be issued. Some of the seasoned auditors can be freed up to do certain QC review, thus, helped to clear the backlog in QC.

STAFF COMMENTS

The previously approved limited term resources for CalRecycle to conduct audits have proven to be successful, despite the difficulty in recruiting staff due to the limited-term positions. Making these positions permanent would allow CalRecycle to continue to conduct audits and enforcement.

Staff Recommendation: Hold Open

ISSUE 17: DISASTER DEBRIS RECOVERY CLOSEOUT AND PROJECT BACKLOG

A May Revision proposal requests \$1,013,000 Integrated Waste Management Account (annually for two years) to finalize and complete disaster debris removal-related workload and project backlogs incurred by redirecting staff toward emergency disaster recovery and post-recovery efforts.

BACKGROUND

The Engineering Support Branch, within the Waste Permitting, Compliance, and Mitigation Division, reviews and approves solid waste, and tire, facility plans to ensure effectively implemented state standards. The branch provides engineering technical support to other department branches for solid waste, climate change, bioenergy, and illegal dumping issues. It oversees CalRecycle's cleanup and remediation programs to mitigate hazards created by closed, illegal, and abandoned solid waste and tire disposal sites.

CalRecycle's responsibilities and expertise in the remediation of solid waste disposal sites make them suited to carry out debris removal operations required for the fire related disaster recoveries.

In 2015, the Governor declared a State of Emergency in Lake and Napa counties due to the severity and magnitude of the wildfires. CalRecycle was directed to support local governments in the management of debris removal operations. CalRecycle redirected significant resources from its Solid Waste Program to assist. The extended duration of debris removal operations, as well as the complexity and magnitude of managing project costs, claims, and federal reimbursements, have taxed staff resources significantly and delayed or postponed other planned projects.

According to CalRecycle, they are inadequately staffed to perform long-term, large-scale debris removal operations, in addition to carrying out its mandated responsibilities. The staff redirection has resulted in an un-absorbable backlog. Moreover, there continues to be ongoing workload to finalize debris removal projects, workload for evaluating costs for federal reimbursement, and work to assist counties with insurance recovery. CalRecycle remains behind in the review of technical reports, such as closure and post-closure maintenance plans, non-water corrective actions plans, implementation of various health and safety programs, and site remediation.

LAO COMMENTS

The LAO does not have concerns with this proposal, but notes that the proposed funding source—the Integrated Waste Management Account—has a significant structural imbalance of about \$6 million or 12 percent of annual revenue. The fund is projected to have a fund balance of \$15 million at the end of the budget year, assuming

this proposal is approved. Most debris recovery activities were previously supported by the General Fund.

STAFF COMMENTS

An estimated 250 tons of waste and debris were generated for each residential structure destroyed during these wildfires. Thousands of structures were damaged between the Valley Fire and Butte Fire. CalRecycle will likely continue to face added workload needs relating to the near- and long-term efforts to close out the Valley and Butte fire recoveries, as well as their own backlog as a result of staff redirection. This request is consistent with those needs.

Staff Recommendation: Hold Open

3900 AIR RESOURCES BOARD**ISSUE 18: SPECIALIZED DIESEL ENFORCEMENT SECTION**

A May Revision proposal requests 10.0 positions and an ongoing appropriation of \$1,623,000 (\$812,000 Vehicle Inspection and Repair Fund and \$811,000 Motor Vehicle Account), to form a specialized enforcement team that would focus enforcement efforts in disadvantaged communities and at warehouses and distribution centers within or near these communities. This proposal also request a one-time appropriation of \$160,000 for four specialized vehicles to be used to conduct field inspections, and \$150,000 in annual contract funds

BACKGROUND

Mobile sources, including both on-road and off-road engines, are responsible for approximately 80 percent of nitrogen oxide emissions and approximately 90 percent of diesel particulate matter emissions throughout California. Most of these emission sources, such as trucks, transportation refrigeration units, forklifts, yard trucks, and other sources are concentrated around freight hubs such as warehouses and distribution centers, which are primarily located in disadvantaged communities. These types of facilities are increasing in number across the state with continued growth in the economy.

The ARB has adopted regulations designed to reduce emissions from sources at warehouses and distribution centers. The regulations require modern trucks to be equipped with emissions controls to operate in California. There are more than one million heavy-duty diesel-fueled trucks and buses operating throughout the state. The ARB estimates that around 30 percent – or 300,000 heavy-duty diesel vehicles – do not meet regulation requirements and are emitting excess diesel particulate matter and nitrogen oxide emissions. This relatively small percentage of high-emitting vehicles are responsible for more than 50 percent of all diesel particulate matter emissions. This assessment was published in 2015, and reviewed over a decade of warranty claim reports, thousands of vehicles surveyed on the roadside and fleet yards throughout California, and also extensive in-use emissions performance data.

The ARB currently devotes resources to enforcing truck and equipment rules at roadsides, ports, and through investigations of fleets operating throughout the state. Enforcement at warehouses and distribution centers has been limited given current resources. This proposal requests for resources to form a specialized team that would focus enforcement efforts in disadvantaged communities and at warehouses and distribution centers.

STAFF COMMENTS

Focusing enforcement efforts at warehouses and distribution centers is an effective way to determine whether regulatory requirements are being met and engines / after-treatment emissions controls are well maintained and properly operating.

Staff Recommendation: Hold Open

ISSUE 19: MOBILE SOURCE AUDIT AND COMPLIANCE PROGRAM ENHANCEMENT

A May Revision proposal requests 9.0 positions and \$1,960,000 (including \$1,206,000 for 7.0 positions and three year funding of \$450,000 in annual contracts from the Air Pollution Control Fund, and \$304,000 for 2.0 positions from various other special funds) to help strengthen its mobile source emission oversight program.

BACKGROUND

The ARB's Mobile Source Program is responsible for certifying engines for compliance with California clean air standards. Vehicles, engines and components not certified by CARB cannot be sold or legally operated in the state. Other activities of the MSP include confirmation, compliance and audit activities. Confirmation activities include testing vehicles and engines before an executive order (EO) is issued to confirm test data provided by manufacturers, on-the-road-testing using Portable Emission Measurement Systems (PEMS), and/or using special operating cycles in the lab that replicate road conditions encountered in normal driving. Compliance activities determine whether engine emissions after sale meet the limits set in the regulations. Audit activities may include inspecting manufacturer facilities and laboratories, reviewing warranty claims and testing engine emissions. In the event this confirmation, compliance or audit activities reveal anomalies or the products fail to meet requirements, CARB may deny the EO or issue a notice of violation.

According to the ARB, increasing the resources for MSP will allow for faster certification and evaluation of vehicle and engine types, and provides more staff for the enhanced testing protocol intended to identify engines operating outside of requirements or has emissions different when tested on the road.

STAFF COMMENTS

Recent discoveries such as Volkswagen's defeat device to circumvent the ARB's emissions program underscore the importance of the mobile source program. This request would enhance and strengthen the program and ensure vehicles operating in California are complying with air quality standards.

Staff Recommendation: Hold Open

ISSUE 20: IMPLEMENTATION OF SB 1

A May Revision proposal requests 1.0 position and \$165,000 from various special funds to begin implementing SB 1.

BACKGROUND

SB 1 (Beall, Chapter 5, Statutes of 2017) created the Road Maintenance and Rehabilitation Program and the Solutions for Congested Corridors Program. The bill acknowledges the impact of the transportation sector on California's air quality. As such, the bill requires the ARB to develop and implement new tracking, compliance, and enforcement processes so that reductions in emissions from motor vehicles are achieved, and to work in concert with other state agencies as an expert consultant for air quality and greenhouse gas related elements in the bill.

Specifically, the bill requires CARB to serve in a consultative role to the Department of Transportation and the California Transportation Commission as they administer the new programs created by SB 1 and to the University of California at Davis Institute of Transportation Studies as it reports on potential zero- and low-emission vehicle revenue mechanisms.

Further, the bill requires the DMV, starting January 1, 2020, to verify that a medium-duty or heavy-duty vehicle is compliant with or exempt from CARB's Truck and Bus Regulation before allowing registration. This will require CARB to address a substantial increase in compliance assistance and enforcement questions, and current database incapacibilities that will be needed for accurate communication between CARB and DMV databases. Also, in order to minimize future impacts on the trucking industry, the bill sets a useful life period for commercial vehicles, precluding CARB from requiring, via potential future regulations, commercial vehicle fleet turnover in advance of specified deadlines. As part of this effort, the bill requires CARB to track the emissions impacts of the enhanced compliance provisions associated with implementation of the Truck and Bus Regulation, as well as evaluate the impact of the useful life provision on meeting clean air goals. Finally, the bill includes funding mechanisms to support improvements to California's transportation system and other projects that it contains.

STAFF COMMENTS

This request is consistent with SB 1 and is in furtherance of California's air quality goals.

Staff Recommendation: Hold Open

3790 DEPARTMENT OF PARK AND RECREATIONS

ISSUE 21: IMPROVING STATE AND LOCAL PARKS

A May Revision proposal requests the following:

- \$52 million State Parks and Recreation Fund,
- \$26.6 million in reimbursement authority,
- \$1 million Off-Highway Vehicle Trust Fund, and
- \$1 million Abandoned Watercraft Abatement Fund

BACKGROUND

SB 1 (Beall, Chapter 5, Statutes of 2017) created the Road Maintenance and Rehabilitation Program to fund road maintenance, various safety projects, and active transportation projects. The measure would also generate revenue to support state parks, including off-highway vehicle and boating programs.

The Department of Finance anticipates an increase of \$54 million for the Department. This May Revision proposal represents the Administration's plan for expenditure of these additional funds. Specifically, the proposal requests to:

- **Fix Our Parks**—\$31.5 million for deferred maintenance projects to repair and maintain the aging infrastructure of the state park system and to address the recent damage sustained from the severe winter storms. This proposal also includes increasing reimbursement authority by \$26,625,000 to facilitate funding from the Federal Emergency Management Agency to help address storm-damaged areas.
- **Establish Partnerships to Improve Access to Parks**—\$1.5 million to establish a pilot project to provide transportation to parks from urban areas and schools.
- **Build a Recruitment and Training Program**—\$1 million to establish a recruitment and training program. This program will focus on hard-to-fill classifications, including park rangers, lifeguards, maintenance workers, administrators, and managers. The program will also develop strategies to better reach candidates from diverse communities.
- **Fund Local Parks**—\$18 million to provide a local assistance grant to the Jurupa Area Recreation and Park District.
- **Support Off-Highway Vehicle Recreation**—\$1 million from the State Parks and Recreation Fund to the Off Highway Vehicle Trust Fund. \$1 million for local assistance grants for additional law enforcement, environmental monitoring, and maintenance grants supporting federal off-highway vehicle recreation.

- **Reduce Boating Hazards**—\$1 million from the State Parks and Recreation Fund to the Abandoned Watercraft Abatement Fund. \$1 million for local assistance grants to remove abandoned watercraft from California’s waterways.

LAO COMMENTS

The LAO has no concerns with the portion of the proposal to spend \$16.5 million to repair damage at state parks caused by recent storms. Regarding other components of the proposal—\$18 million for the Jurupa Area Recreation and Park District, \$15 million for parks infrastructure projects, \$1.5 million for a pilot project to increase access to parks, \$1 million for a recruitment and retention program, and \$1 million each for the Off-Highway Vehicle Trust Fund and Abandoned Watercraft Abatement Fund—the LAO find that the administration has provided little detail on how those funds would be utilized. In considering any of these components of the administration’s proposal, the LAO recommends the Legislature the department to report at budget hearings regarding the specific projects and activities that would be funded, as well as what programmatic outcomes the Legislature should expect to see from this spending.

Finally, given the additional revenue from SB 1, the LAO recommends the Legislature reconsider the Governor’s January proposal to provide \$4 million from the Environmental License Plate Fund to state parks, which would allow those funds to be directed towards other legislative priorities in the budget or future years.

STAFF COMMENTS

The Subcommittee may wish to ask the Department how it plans to prioritize projects and the specific types of projects and activities that would benefit from the funding.

Staff Recommendation: Hold Open

3885 DELTA STEWARDSHIP COUNCIL

ISSUE 22: DELTA STEWARDSHIP COUNCIL TRAILER BILL LANGUAGE

The Governor proposes trailer bill language to extend the term limit of the Chairperson position at the Delta Protection Commission from four years to eight years.

BACKGROUND

The Delta Reform Act established the Delta Stewardship Council in 2009. The Council was created to advance the state's coequal goals for the Delta – a more reliable statewide water supply and a healthy and protected ecosystem, both achieved in a manner that protects and enhances the unique characteristics of the Delta as an evolving place. The Council is tasked with developing an enforceable long-term sustainable management plan for the Delta to ensure coordinated action at the federal, state, and local levels. The Delta Plan, adopted in 2013, includes both regulatory policies and non-binding recommendations.

The Council is comprised of seven voting members and advised by a 10-member board of nationally and internationally renowned scientists. Four members are appointed by the Governor, one member is appointed by the Senate Rules Committee, the Speaker of the Assembly appoints one member, and one member serves as the Chairperson of the Delta Protection Commission.

The Chairperson of the Delta Protection Commission serve as a member of the council for the period during which he or she holds the position as commission chairperson, which is four years.

STAFF COMMENTS

Whether to extend the term of the Delta Protection Commission Chairperson from four to eight years is a policy question. The Subcommittee may wish to ask the Administration to advance this proposal through the legislative process instead of during May Revision of the budget process.

Staff Recommendation: Hold Open

8570 DEPARTMENT OF FOOD AND AGRICULTURE

ISSUE 23: MILK POOLING TRAILER BILL LANGUAGE

The Governor proposes trailer bill language to authorize CDFA to establish a stand-alone milk quota program.

BACKGROUND

The U.S. Department of Agriculture (USDA) uses marketing orders to regulate the sale of dairy products. These marketing orders are binding on all handlers of the commodity within the geographic area of regulation once it is approved. The order may limit the quantity of goods marketed, or establish the grade, size, maturity, quality, or prices of the goods. This system allows producers to promote orderly marketing through collectively influencing the supply, demand, or price of a particular commodity. Research and promotion can be financed with pooled funds.

California has a state-specific pricing system for dairy that is separate from the USDA. CDFA is the regulatory agency charged with overseeing this system. In order to perform this function, CDFA monitors conditions in the dairy market place and establishes the minimum price that must be paid by processors to producers. One item of the California-based system that is distinct from the federal system is quota, which is an asset transferred between Grade A (fluid milk) dairy producers on a monthly basis. The Federal Order does not include a quota system.

In February 2017, the USDA recommended establishing a federal order that would incorporate California dairy. USDA is now in the process of taking public comments on the recommendation. USDA is scheduled to host an official vote of California dairy farmers between late fall of 2017 and early spring of 2018 on whether to join the federal order. If California dairy farmers choose to join the federal order, the existing California milk pricing system (which includes a quota system) would be repealed, but there would be no quota system under the federal order. California dairy farmers may be interested in maintaining a California-specific quota system (in addition to the federal order).

The proposed trailer bill language would authorize CDFA to establish a California-specific quota system contingent upon approval through a dairy farmer referendum. According to CDFA, it is important for dairy farmers to know whether CDFA has authority to implement a California-specific quota system before a vote is taken on whether to join the federal order. Dairymen and processors operate based on strategic financial forecasting, which includes quota as a significant variable. Without state authority being explicit prior to the conducted vote by USDA, such financial forecasting would not be possible.

STAFF COMMENTS

Whether to authorize CDFA to establish a stand-alone milk quota program is a policy question. The Subcommittee may wish to ask the Administration to advance this proposal through the legislative process instead of during May Revision of the budget process.

Staff Recommendation: Hold Open
