AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 3 RESOURCES AND TRANSPORTATION

ASSEMBLYMEMBER RICHARD S. GORDON, CHAIR

MAY 23, 2012

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

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ITEMS TO BE HEARD

CONSENT CALENDAR

0540 Secretary of Natural Resources

Extension of Repayment Dates of Existing Loans: The Governor requests re-appropriation of funds for the River Parkways grant program to allow ongoing projects to be completed and remaining funds to be awarded in the final round of program funding. Staff Recommendation: Approve Governor's May Revision Proposal

3480 Department of Conservation

Elimination of State Mining and Geology Board: The Governor proposes to eliminate the State Geology and Mining Board by transferring functions to the appropriate division in the Department of Conservation. The Subcommittee held this item open at its April 25th hearing. The Senate Subcommittee #2 rejected the proposal at its May 9th hearing due to concerns raised by stakeholders that the Board serves a critical judicial function within the Surface Mining and Reclamation Act. Staff Recommendation: Reject Governor's Proposal, conform with Senate Action.

3680 Department of Boating and Waterways

Boating Infrastructure Grant Increases: The Governor requests a one-time increase to the appropriation authority for the Federal Trust Fund, Boating Infrastructure Grant program to $350,000. These federal funds are used to provide local assistance to state, local agencies, and private entities to develop, operate, and maintain public access boating facilities. The Department baseline appropriation is $100,000. In April 2012, the Department was awarded an additional $250,000 for the County of San Mateo - Oyster Point project. The federal grant funds are 4-year moneys. Staff Recommendation: Approve Governor's May Revision Proposal

3790 Department of Parks and Recreation

Concessions Program: The Governor requests approval of concession and operating agreements for Old Town San Diego Historic Park and Morrow Bay Historic Park. Staff Recommendation: Approve Governor's Spring Finance Letter

3960 Department of Toxic Substances Control (DTSC)

Technical Correction: At the May 9th hearing, the Subcommittee inadvertently took action to refer the elimination of Registered Environmental Assessor (REA) Program to policy committee after it had already taken a previous action to eliminate the program along with other "underutilized programs within DTSC" at a hearing on April 11th. Staff Recommendation: Approve Governor's TBL to eliminate the REA Program.

8660 California Public Utilities Commission (CPUC)

Extend Liquidation of outside Legal Counsel for Energy Crisis Litigation: The Governor requests a one-year extension of the liquidation period for continued assistance by outside counsel and economic consultants as expert witnesses in litigation by the CPUC before the FERC, which seeks refunds for overcharges during the 2000-01 energy crisis for California Consumers in excess of $1 billion. Staff Recommendation: Approve Governor's Spring Finance Letter

VOTE-ONLY

3360 ENERGY RESOURCES CONSERVATION DEVELOPMENT COMMISSION

ISSUE 1: ALTERNATIVE AND RENEWABLE FUEL AND VEHICLE TECHNOLOGY FUND LOAN REPAYMENT EXTENSION (MAY REVISE PROPOSAL)

The Governor requests to change the date of the $8.3 million loan repayment from June 30, 2012 to Fiscal Year (FY) 2014-15. The program does not require repayment before that date.

Staff Recommendation: Approve Governor's May Revision Proposal

3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION

ISSUE 1: TIMBER HARVEST PLAN REFORM (MAY REVISE PROPOSAL)

The Subcommittee heard the Governor's May Revision Timber Harvest Plan Reform proposal at its May 16th hearing. It proposes to reform the timber harvest plan (THP) process by (1) implementing an assesment on the sale of lumber products sold at retail in the state, (2) enacting trailer bill language that extends the length of time that THP's are effective from three to five years, (3) modifying current law in regards to civil cost recoveries, (4) implementing a year-long pilot project to test procedures to improve the efficiency of a multi-agency THP review team, and, (5) reviewing the current THP document with the intent to improve it.

In the budget year, the assessment is estimated to generate $15 million in revenue, which will replace 50 percent of the funding for four departments—CAL FIRE, the Department of Fish and Game (DFG), the Department of Conservation, and the State Water Control Board—that participate in administration of the THP process. Beginning in 2013-14, revenues are estimated to be $30 million annually and would be used to fully fund these four departments efforts related to the THP process and in addition to some other activities. The proposal includes a reduction of $7.8 million in General Fund expenditures for these four departments in 2012-13 and beginning in 2013-14 $15.5 million in reduced General Fund expenditures on an annual ongoing basis. In addition, the May Revision proposes the Board of Equalization (BOE) would receive $4.6 million in funds from the new tax to fund 31 positions in the budget year and $4.1 million annually on an ongoing basis to implement this assessment.

This proposal stems from a working group that included representatives from the Governor's Office; Department of Forestry and Fire Protection (CAL FIRE), Department of Fish and Game (DFG), Department of Conservation (DOC) and the State Water Resources Control Board (SWRCB); various landowners and their association; environmental community; and Legislature. This group met for months to develop a consensus-based proposal. The proposal contains changes to the timber harvest plan process developed by all the stakeholders using a consensus based model and that fully meets their tenets.

Staff Recommendation: Approve Governor's May Revision Proposal

ISSUE 2: PROP 84 RE-APPROPRIATION - URBAN FORESTRY (MAY REVISE PROPOSAL)

The Governor requests a re-appropriation of $2.6 million (Prop 84) in state operations and local assistance funds to allow additional urban forestry projects to occur at the local level, thereby furthering the goals of the California Urban Forestry Act of 1978. It also requests an appropriation of $566,000 (Prop 84) for local assistance that was reverted in fiscal year 2007-08. Proposition 84 specifies that a minimum of $20.0 million of the funding for Urban Greening be directed to the Urban Forestry Program under CAL FIRE. Funding provided in prior fiscal years has been used for projects that developed urban forest mapping, a tool kit for use by local governments in creating urban forest management plans, and promoting cooperation between urban forestry groups to avoid duplication. This request would appropriate the last of the Proposition 84 funds for urban forestry.

Staff Recommendation: Approve Governor's May Revision Proposal

3600 DEPARTMENT OF FISH AND GAME

ISSUE 1: TRAILER BILL LANGUAGE—SUCTION DREDGE CLEANUP LANGUAGE

The Resources Omnibus Trailer Bill of 2011 included an item regarding the use of suction dredge equipment in waterways of the state. The language inadvertently created a confusing requirement both to create a temporary moratorium and require an environmental review of the practice, with an arbitrary timeframe for both. On April 25th, the Subcommittee directed staff to develop budget trailer language to clarify the Legislative intent in this regard. Specifically, staff was asked to draft language that would:

1. Remove the 2016 sunset in order to provide time needed to identify new regulations that meet environmental standards and reduce confusion about status of the program. This would have the effect of putting in place a functional moratorium until new regulations addressing environmental impacts, and a new fee schedule covering all reasonable costs, are developed.

2. Ask DFG to consult with other agencies, such as the Water Board, Department of Public Health and the Native American Heritage Commission, and report back to the Legislature with recommendations as to what additional authorities or statutory changes would be necessary to develop suction dredge regulations that would mitigate all environmental impacts, and make recommendations for a fee schedule that would cover all program costs.

To wit, staff has prepared the following trailer bill language for the Subcommittee to consider: Amend Section 5653.1(b) to read as follows:

5653.1 (b)Notwithstanding Section 5653, the use of any vacuum or suction dredge equipment in any river, stream, or lake of this state is prohibited ~~***until June 30, 2016, or***~~ *until the director certifies to the Secretary of State that all of the following have occurred,* ~~***whichever is earlier***~~*:*
(1) The department has completed the environmental review of its existing suction dredge mining regulations, as ordered by the court in the case of Karuk Tribe of California et al. v. California Department of Fish and Game et al., Alameda County Superior Court Case No. RG 05211597.
(2) The department has transmitted for filing with the Secretary of State pursuant to Section 11343 of the Government Code, a certified copy of new regulations adopted, as necessary, pursuant to Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code.
(3) The new regulations described in paragraph (2) are operative.
(4) The new regulations described in paragraph (2) fully mitigate all identified significant environmental impacts.
(5) A fee structure is in place that will fully cover all costs to the department related to the administration of the program.

Add the following:

The Department shall consult with other agencies as necessary, including but not necessarily limited to, the State Water Resources Control Board, the Department of Public Health, and the Native American Heritage commission, and report back to the Legislature with recommendations as to any additional statutory changes or authorities that may be necessary to develop suction dredge regulations that would meet all the requirements of 5653.1(b), including mitigation of all identified significant environmental impacts and a fee structure that will fully cover all program costs.

Staff Recommendation: Approve Trailer Bill Language

3940 STATE WATER RESOURCES CONTROL BOARD

ISSUE 1: SAN DIEGO REGIONAL OFFICE RELOCATION (MAY REVISION PROPOSAL)

The Governor requests to reduce the costs proposed in the Governor's Budget for the relocation of the San Diego Regional Quality Control Board (Regional Board) regional office. The revised cost data has been provided to the Water Board by the Department of General Services (DGS). The estimated rent increase was less than previously projected, as are the one-time moving costs. The request reduces the Fiscal Year (FY) 2012-13 appropriation by $2.6 million and the FY 2013-14 appropriation by $95,000. These reductions will properly align the estimated funding needs with our DGS estimate.

This request revises the State Water Resources Control Board's (Water Board) fall Budget Change Proposal for funding to relocate the San Diego Regional Quality Control Board (Regional Board) to a new office building. This is necessary because the current building is located in an area zoned for high to moderate manufacturing facilities. The building envelope does not protect building occupants from environmental discharges emitted by the adjacent Toxic Hot Spot manufacturing facility.

Staff Recommendation: Approve Governor's May Revision Proposal

8570 DEPARTMENT OF FOOD AND AGRICULTURE

ISSUE 1: MILK AND DAIRY FOOD SAFETY FEES (TBL)

The Governor requests trailer bill language to increase fees associated with the certification of nursery stock and milk and dairy food safety.

During the spring process last year, the Legislature approved a General Fund reduction to the California Department of Food & Agriculture of $19 million in 2011-12 and an additional $12 million (total of $31 million) in 2012-13 and ongoing.

One component of the additional $12 million reduction in 2012-13 is a $1.028 million General Fund cut to the Milk and Dairy Food Safety program. The 2012-13 Governor's Budget includes $1.028 million Agriculture Fund to offset this reduction. To collect the additional revenue in the Agriculture Fund, the Governor's Budget also includes Trailer Bill Language that would raise specified fees sufficient to cover the additional $1.028 million Agriculture Fund appropriation. The proposed TBL will increase farm inspection fees up to a cap, establish a minimum quarterly farm inspection fee, authorize cost recovery for dairy farm construction inspections, and collect 15 percent of dairy farm inspection fees levied by county Approved Milk Inspection Services to cover state oversight costs. Fees for soft-serve facility licenses, Limited Manufacturing permits, and dairy industry personal licenses will also increase to cover costs of administration, inspection, and examination.

Staff Recommendation: Approve Governor's Proposed Trailer Bill Language

ISSUE 2: UNALLOCATED GENERAL FUND REDUCTION (MAY REVISION PROPOSAL)

The May Revision proposes a permanent, unallocated General Fund reduction of $2.5 million. This builds on the $31 million General Fund reduction already adopted, which primarily affects various programs relating to border control stations, pest prevention, and food safety activities. The California Department of Food of Agriculture (CDFA) will collaborate with its stakeholders to prioritize its resources in determining which programs will be reduced to achieve the savings.

Staff Recommendation: Approve Governor's May Revision Proposal

8660 CALIFORNIA PUBLIC UTILITIES COMMISSION

ISSUE 1: STATE ELECTRICITY REGULATORS ASSISTANCE PROJECT - ARRA

The Governor's Budget requests an extension of spending and personal services authority for 4.0 limited-term analyst positions and temporary help positions to be funded beyond July 1, 2012 to December 31, 2014. This is the second year of a five-year Federal American Recovery and Reinvestment Act (ARRA) Grant that fully reimburses these personnel costs as well as other grant related expenditures. As of June 30, 2011, $144,350 of the total grant of $1,686,869 has been spent. The Commission has authority to extend the Period of Performance until December 31, 2014, which is the ending date of the federal grant.

STAFF COMMENT

The Subcommittee held this item open at its April 11th hearing and asked the Commission to provide the Subcommittee with its plan to ensure that all ARRA funds will be spent before the federal grant deadline of December 31, 2014. The Commission provided staff the following work plan:

The current plan is to expend the full grant funds of $ 1,686,869 by October 31, 2014 according to the following timeline.

	Dec 30 2009	Dec 31 2010	Dec 31 2011	Dec 31 2012	Dec 31 2013	Oct 31 2014
		Start date	Actuals	Actuals	Projected	Extended Final Date
Total Spent	$0	$72,803	$ 203,441	$700,000	$1,200,000	$1,686,869

The CPUC estimates annual staff costs at $372,000 and estimates contracting for training services ($40,000/year), consultants ($50,000/year) and equipment ($60,000/year) to support the increased opportunities to expand renewables and demand side resources in the electricity sector as directed in the ARRA Electricity Title.

Staff Recommendation: Approve as Budgeted

ISSUE 2: GAS PIPELINE EMERGENCY RESPONSE STANDARDS

The Governor's Budget proposes 2 positions (Utilities Engineers or UEs) and $217,000 ($117,000 CPUC Utilities Reimbursement Account and $100,000 Federal Trust Fund) to implement SB 44 (Corbett), Chapter 520, Statutes of 2011, which directs the Commission to establish emergency response standards that owners of gas pipeline facilities would be required to follow.

The UEs will conduct fieldwork and audit emergency response plans for over 3,200 mobile home parks and propane systems, as well as five large transmission and distribution pipeline operators. The UEs will work with the California Office of Emergency Services (OES) and local first responders located across the state, as required by SB 44. The UEs will then review the emergency response plans of each gas pipeline operator to ensure compliance with the CPUC's new standards. The CPUC must begin the proceeding by July 1, 2012. And finally, the UEs will compile a progress report to the Legislature by January 1, 2013, which describes the CPUC's actions to comply with SB 44.

ISSUE 3: NATURAL GAS SERVICE AND SAFETY

The Governor's Budget proposes 1 position and $102,000 ($51,000 CPUC Utilities Reimbursement Account and $51,000 Federal Trust Fund) to implement SB 705 (Leno), Chapter 522, Statutes of 2011, which directs the Commission to review and approve gas utilities' plans for the safe and reliable operation of gas pipeline facilities.

ISSUE 4: GAS CORPORATIONS COST RECOVERY, AUTOMATIC VALVES, TESTING AND REPORTING REQUIREMENTS

The Governor's Budget proposes 2 positions and $322,000 ($162,000 CPUC Utilities Reimbursement Account and $160,000 Federal Trust Fund) to implement AB 56 (Hill), Chapter 519, Statutes of 2011, which directs the CPUC to fast-track rule development and implementation gas safety provisions.

STAFF COMMENT

The Subcommittee held these three items open at its April 11th hearing pending further evaluation of the CPUC's Global Safety BCP. Staff supports these legislative proposals that were vetted through the policy process in 2011.

Staff Recommendation: Approve as Budgeted Issues 2-4

ISSUE 5: STATE BROADBAND DATA AND DEVELOPMENT PROGRAM (SFL)

The Governor requests the continuation of four limited-term positions and $314,000 from the Federal Trust Fund through September 2014 for continued work on a federal grant under the National Telecommunications and Information Administration's State Broadband Data and Development Program.

Staff Recommendation: Approve SFL

ITEMS TO BE HEARD

2660 DEPARTMENT OF TRANSPORTATION

ISSUE 1: CAPITAL OUTLAY SUPPORT

The May Revision proposes a reduction to Capital Outlay Support staff to reflect a decline in workload from the expiration of Americans Recovery and Reinvestment Act funds.

BACKGROUND

The May Revision proposes a reduction to Caltrans Capital Outlay Support staff to reflect a decline in workload primarily associated with the completion of projects funded by the American Recovery and Reinvestment Act. It is requested that the Capital Outlay Support Program be decreased by $14,527,000 and 340.0 full-time equivalents, including 330.0 state staff positions.

This proposed level of staffing will establish an 89-11 percent split of state staff to architectural and engineering consultant contracts. According to the Department of Finance, this is consistent with the State Auditor's recommendation that Caltrans utilize flexible contract-staff resources to ramp down state staff based on future workload needs, which are expected to decrease as Proposition 1B projects approach completion.

This request also includes Budget Bill language to enable Caltrans to seek an increase in additional reimbursement authority of up to $4.2 million for additional workload associated with these projects to the extent work proceeds to later phases earlier than currently anticipated.

STAFF COMMENT

Caltrans has traditionally maintained a 90-10 split of work between state staff and contractors as a policy practice. Given this approach, the reductions should be applied equally to both contractors and staff. If the Subcommittee choses to adopt this proposal, contracts and staffing level should be adjusted to return to this ratio.

Staff Recommendation: Adopt the May Revisions Proposal but adjust COS contracts and staff to restore a 90-10 ration of COS work.

ISSUE 2: AMTRAK FUEL COST BUDGET BILL LANGUAGE

The Department of Finance has requested Budget Bill Language in the May Revision to allow for funds transfers in the event Amtrak fuel costs increase in the budget year.

BACKGROUND

The May Revision includes a request Budget Bill Language to enable Caltrans to transfer savings from the Public Transportation Account to fund an unanticipated increase in its intercity rail operations agreement with Amtrak because of additional fuel costs.

The Language is as follows:

> *Budget Bill Language for Item 2660-001-0046*
> *Provisions:*
> *X. Of the funds appropriated in this item, the Department of Finance may transfer expenditure authority among schedules to accommodate increases in Amtrak contract costs related to fuel.*

STAFF COMMENT

This proposal seems reasonable.

Staff Recommendation: Approve May Revision Proposal

ISSUE 3: SPECIAL FUND LOANS AND TRANSFERS

The May Revision includes two proposals that provide over $619.2 million in General Fund solutions.

BACKGROUND

The May Revision includes two proposals that provide over $619.2 million in General Fund solutions. These proposals are detailed below.

SPECIAL FUND TRANSFER

The May Revision proposal includes trailer bill language to complete the implementation of the 2010 fuel tax swap. When adopted, this proposal will transfer $184.0 million in FY 2011-12 and $128.2 million annually starting in 2012-13 from several special funds to the General Fund.

The 2010 fuel tax swap eliminated the sales tax on gasoline in exchange for a 17-cent increase in the gasoline excise tax. The fuel tax swap language resulted in an unintended increase in the amount of revenues being transferred to several special funds that receive a specified percentage of revenue from fuel excise taxes, including the Off-Highway Vehicle Trust Fund administered by the Department of Parks and Recreation, the Harbors and Watercraft Revolving Fund administered by the Department of Boating and Waterways, and the Department of Agriculture Account administered by the Department of Food and Agriculture.

These special funds support off-highway vehicle programs at state parks, boating programs, and agricultural inspection and regulatory activities. These additional revenues are not generated from taxes on fuels used in vehicles on public streets and highways, and therefore their uses are not restricted by Article XIX of the California Constitution.

The transfer of these revenues to the General Fund will not impact any existing activities currently funded by these departments.

SPECIAL FUND LOANS

The May Revision includes a proposal to extend $307.1 million of Special Fund loans to the General Fund.

The specific loans are listed below:

<u>Loans currently due June 30, 2011</u>

- Extend repayment of $150.0 million from the State Highway Account until June 30, 2014.
- Extend repayment of $6.0 million from the Bicycle Transportation Account until June 30, 2017.
- Extend repayment of $8.0 million from the Motor Vehicle Fuel Account until June 30, 2017.

- Extend repayment of $4.4 million from the Environmental Enhancement and Mitigation Fund until June 30, 2017.

- Extend repayment of $2.0 million from the Historic Property Maintenance Fund until June 30, 2014.

- Extend repayment of $1,715,000 from the Pedestrian Safety Account until June 30, 2017.

Loans currently due June 30, 2012

- Extend repayment of $135.0 million from the State Highway Account until June 30, 2015.

STAFF COMMENT

The adoption of the trailer bill language will align the gas tax swap revenue with the intended use of the funds.

The Department of Finance has indicated that an analysis of the fund conditions of the special funds was performed to identify loans repayments that could be delayed with minimal programmatic impact.

Staff Recommendation: Hold Open

ISSUE 4: COOL PAVEMENT

The Subcommittee will consider Caltrans role in development of cool pavement specifications.

BACKGROUND

Cool pavements are any paving techniques, technologies, and materials that reduce road temperature relative to traditional paving materials. Cool pavements combat climate change by reflecting more light and heat into outer space.

Caltrans plays a central role in expanding the use of cool pavement in California. The department could develop cool pavement standards, specifications, and guidelines that inform both state and local partners as part of their pavement programs.

STAFF COMMENT

At the Subcommittee hearing on May 2, 2012, Caltrans commented that it was developing a "Sustainable Pavement" effort and that it would be comfortable reporting the status of that effort to the Subcommittee. In a letter to the Chair, Caltrans noted that the department in engaged in a three to five year effort on sustainable pavement that will culminate in a report. According to Caltrans, the report will provide an update on federal research, material performance, and evaluation, gap analysis of available tools, and recommendations for implementation.

While the Letter indicated that the report would be completed after the three to five year effort was complete, Caltrans has also offered to provide an update to the Subcommittee in 2013. Given this offer, staff recommends that the Subcommittee adopt Supplemental Reporting Language to formalize this report as a request. The Supplemental Reporting Language would require Caltrans to provide an update of the Sustainable planning effort and any initial findings that have been achieved while the Sustainable Pavement effort is underway.

Staff Recommendation: Adopt Supplemental Reporting Language

ISSUE 5: RESEARCH

A Spring Fiscal Letter proposes to reduce funding for Caltrans research.

BACKGROUND

The Administration requests a reduction of $7 million (State Highway Account) in the Caltrans research budget – reducing funding from $39 million to $32 million. The reduction would be achieved by eliminating four positions ($342,000) and by reducing research-operating expenses ($6.7 million). Caltrans indicates it far exceeds its required match for federal research funds, and that State funding could be reduced while still achieving the highest-priority research. Federal funding is about $15 million per year, and would not decrease if State funding is reduced from $24 million to $17 million – the federal match requirement is only 20 percent.

According to the Administration, the Department's Research Program manages a comprehensive portfolio of research to develop, test, and evaluate transportation innovations. These innovative products and services in methods, materials, and technologies enable the Department to provide continual improvement to the management of public facilities and services; protect public investment in transportation infrastructure; and enhance mobility and safety. The Department manages between 175 and 200 research projects annually covering research topics in safety, mobility, design, construction, environmental stewardship, geotechnical, structural, maintenance, preservation, pavement, transit, and other modes.

State universities receive a portion of research funds for programs such as the Institute of Transportation Studies at UC Berkeley. Caltrans indicates that about $2.8 million per year is directed to university transportation institutes. At the time this agenda was finalized, Caltrans did not know how much of the proposed reduction would be applied to California universities.

ADDITIONAL INFORMATION FROM CALTRANS

On May 22, 2012, Caltrans submitted a report detailing the reduction in a letter to the Chair. According to this letter, the $7 million reduction would be achieved as follows:

Item	**Amount (millions)**
Research Support Centers	$1.6
Defer Seismic Research	1.3
Reduce and Delay Developmental Research Activities	1.0
Suspend 15 Research Projects	2.0
Use Federal Funds for Projections	0.1
Research Staff Reduction	0.3
Total (Does not add due to rounding)	**$7.0**

STAFF COMMENT

Staff believes the nearly 60 percent reduction to Research Support Centers is premature. The Centers are partnerships with Universities, which leverages participation from various funding sources to generate innovative transportation research. The Subcommittee should have a clearer understanding of how the Centers will function overall if this component is reduced. Staff recommends that the Subcommittee reject this reduction.

The Caltrans letter also included a detail of potential seismic projects delayed due to the proposed reduction. Given the vulnerability of the State's transportation network to seismic events and the potential impact on health and safety of the traveling public, staff recommends leaving funding for seismic research projects.

Staff Recommendation: Adopt $4.1 million reduction to Research funding, but retain $2.9 million for Research Support Centers and Seismic projects.

2740 DEPARTMENT OF MOTOR VEHICLES

ISSUE 1: MAY REVISION PROPOSAL MOTOR VEHICLE ACCOUNT/FEE REDUCTION

The Subcommittee will consider a May Revision proposal to loan $300 million from the Motor Vehicle Account to the General Fund and rescinding a proposal to offer a $5 discount to vehicle registration performed outside a DMV field office.

BACKGROUND

The May Revision proposes to loan $300 million from the Motor Vehicle Account (MVA) to the General Fund. As part of this proposal, the Administration is withdrawing the proposal to incentivize DMV customers to complete vehicle registration renewal transactions in ways other than visiting a field office by providing a $5 discount (from $43 to $38). The intent of this proposal was to reduce wait times and congestion at DMV field offices by reducing the total number of vehicle registration renewal transactions that staff at field offices must process. This proposal was expected to result in a loss of between $75 and $100 million reduction to MVA revenue.

STAFF COMMENT

The initial proposal from DMV to use different fees levels to incentivize behavior merits further discussions in the future, but the May Revision proposal is reasonable given the State's current fiscal condition.

Staff Recommendation: Adopt May Revision Proposal

0540 SECRETARY FOR NATURAL RESOURCES
3110 SPECIAL RESOURCES PROGRAMS (TAHOE REGIONAL PLANNING AGENCY)
3125 CALIFORNIA TAHOE CONSERVANCY

ISSUE 1: LAKE TAHOE ISSUES (CONFORMING ISSUE)

Background. On April 11 of this year, the Senate Budget Subcommittee #2 heard proposals from agencies funded by the state within the Lake Tahoe Basin. The purpose of the hearing was to get a better understanding of some of the more complex issues related to management of lands in the Basin, receive updates to legislative requests for information from previous years, and to discuss funding for projects in the basin. The Subcommittee was also updated on the potential impacts of recent legislation in Nevada that would withdraw Nevada from the Bi-State Tahoe Compact should certain criteria not be met in the coming years.

Based on testimony submitted both in person and written by state and local agencies as well as stakeholders in the Basin, and due to the timing of the public release of documents impacting the Basin by the Tahoe Regional Planning Agency, the Senate adopted the following budget bill language to ensure continued collaboration in the Basin:

1. 0540 Natural Resources Agency

a) *The Natural Resources Agency shall, by September 1, 2012, in coordination with the Tahoe Conservancy and the Department of Parks and Recreation, complete an agreement to consolidate and exchange state lands, and to share personnel, facilities, and other resources to more efficiently manage state-owned land in the Tahoe basin. The agreement shall include, but not be limited to, the long-term consolidation and transfer of land from the Conservancy to State Parks at Van Sickle Bi-State Park, Washoe Meadows State Park, Emerald Bay State Park, and Burton Creek State Park, and from State Parks to the Conservancy at Kings Beach State Recreation Area and Ward Creek. The agreement shall also provide for an interim multi-year operating agreement and sharing of personnel to ensure that the transfer does not increase management costs to either State Parks or the Conservancy.*

b) *The Secretary, in consultation with the Attorney General, shall determine that the Regional Plan update is consistent with the compact and submit this to the relevant fiscal and policy committees by April 1, 2013.*

2. 3110 Special Resources Programs (Tahoe Regional Planning Agency)
TRPA shall, by December 31, 2012:

a) *In coordination with the California Natural Resources Agency and the Nevada Department of Conservation and Natural Resources, establish 4-year measurable performance benchmarks for all of the implementation measures and programmatic provisions included in the 2012 Regional Plan Update; and,*

b) *In coordination with the Tahoe Science Consortium (TSC), CARB, SWRCB, Caltrans, Fish and Game, Tahoe Conservancy, CAL FIRE, and other state and federal agencies, develop a comprehensive monitoring, evaluation, and reporting plan, including a scope, schedule, and budget for:*

   i) *monitoring all environmental threshold standards;*
   ii) *TSC review of the scientific basis of the threshold standards and indicators;*
   iii) *TSC development of annual reports on the Regional Plan performance benchmarks and a 4-year report (with an independent peer review) on the status of the threshold standards. Both reports shall be independently issued by the Tahoe Science Consortium.*

3. 3125 California Tahoe Conservancy

The Tahoe Conservancy shall, no later than February 15, 2013, prepare and submit an interagency cross-cut budget, including a summary of:

a) *Federal, State, local, and private expenditures in the preceding fiscal year to implement Environmental Improvement Program (EIP);*

b) *Accomplishments in the preceding fiscal year to implement the EIP; and,*

c) *The proposed budget for the projects and programs of each State agency involved in implementing the EIP.*

STAFF RECOMMENDATION: NONE

3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION

ISSUE 1: EXTENDED DUTY WEEK COMPENSATION LUMP-SUM BUYOUTS (MAY REVISE PROPOSAL)

The Governor requests a one-time augmentation of $15,715,000 General Fund to cover the retroactive Extended Duty Week Compensation (EDWC) lump-sum buyout costs associated with the separation of the Department's Bargaining Unit (BU) 8 fire protection employees. The increase is the result of a negotiated settlement in a lawsuit, which challenged CAL FIRE's practice of excluding certain compensation from the calculation of lump sum separation payments. Although the final settlement for the case is not expected to be approved by the judge presiding over the lawsuit until after July 1, 2012, the requested amount represents a reasonable estimate of the amount that will be owed by CAL FIRE.

ISSUE 2: FIREFIGHTER I COMPENSATION (MAY REVISE PROPOSAL)

The Governor requests a permanent $554,388 General Fund augmentation for the increased costs associated with maintaining a five percent differential between steps for the Department's seasonal Firefighter I (FFI) classification for the last minimum wage increase, as required by the current Bargaining Unit (BU) 8 Memorandum of Understanding (MOU).

CAL FIRE is obligated to pay the increased costs associated with maintaining a five percent differential between steps for the Department's seasonal FFI classification. As a result of arbitration, DPA adjusted the pay scales, which means CAL FIRE must remain in compliance and cannot pay less than the current pay scales indicate. CAL FIRE is unable to absorb the additional ongoing costs.

STAFF COMMENT

Staff concurs with the need for these proposals. However, since these MOUs will expire at the end of the budget year, staff recommends that the ongoing proposals be limited to a two-year term to allow for a baseline discussion at when future MOUs are determined. This would be in keeping with the status of the overall General Fund condition and the unprecedented budget reductions facing the Department should the tax initiatives fail. In addition, there may be existing budget authority in the current year to accommodate these proposals since they were unanticipated increases in personnel expenses.

Staff Recommendation: 1) Approve Governor's May Revision Proposals Issues 1 with modifications. Direct DOF to budget this item in the current year under Item 9840-001-0001. 2) Approve Item 2 as budgeted for two years.

3790 DEPARTMENT OF PARKS AND RECREATION

ISSUE 1: RE-APPROPRIATION: CAPITAL OUTLAY PROGRAMS (MAY REVISE PROPOSAL)

The Governor requests the following capital outlay re-appropriations:

1. **Non-Off-Highway Vehicle Projects--$16.9 million.** Requests re-appropriation of funds for ongoing capital projects within the State Parks system working drawings and construction. Examples of projects include restoration of buildings, completion of interpretive centers, environmental compliance, and recreational trails programs

2. **Off-Highway Vehicle and State Vehicular Area--$15.2 million.** Requests re-appropriation of funds for the following projects: Prairie City State Vehicular Recreation Are (SVRA), Oceano Dunes SVRA, Opportunity Purchases, Carnegie SVRA, Hollister Hills SVRA.

LAO COMMENTS

The May Revision proposes to re-appropriate funds for numerous capital outlay projects and phases of construction for the Department of Parks and Recreation (Parks). We have no concerns with many of these re-appropriations. However, we have asked Parks questions about funding that would be used to acquire new property because we are concerned about the inconsistency between acquiring new property that would potentially require increased resources to manage at the same time that parks are proposed for closure because of a lack of funding. In addition, we are trying to clarify conflicting information we have received from the department regarding the proposal for the El Capitan State Beach project. We have not received responses to our questions and as a result do not know at this time if we will have any issues with these proposals and will update you when we know more.

STAFF COMMENTS

Staff has three questions regarding this request:

1. Given that, the elimination of seasonal lifeguards is part of the Governor's proposed triggers in the event the November tax measure fails, is it prudent to expend state resources for lifeguard towers? (*San Elijo State Beach - Replacement of Lifeguard Tower and El Capitan State Beach – Construct New Lifeguard Headquarters*)

2. Why should the state fund improvements to a park on the closure list? (*Candlestick Point State Recreation Area - public use improvements*)

3. Why should the state approve the acquisition of new state park lands when existing state parks are being closed? (*State Park Acquisitions*)

Staff Recommendation: None

3940 STATE WATER RESOURCES CONTROL BOARD

ISSUE 1: REORGANIZATION AND CONSOLIDATION OF REGIONAL WATER BOARDS

The Subcommittee approved the Governor's proposal to reduce the number of Regional Water Boards by merging two of the smaller existing regional water boards at its April 11th hearing. The proposal would also reduce the number of members on the boards from nine to seven. Due to concerns raised by stakeholders, the Administration has revised its trailer bill language to include the following:

- Conflict of Interest Rules. Current law prohibits regional board members from acting on proposals that involves the board member or any permittee where the board member has a position of authority or financial interest. The proposal had included language to conform the Water Code to the Political Reform Act as applies to all other state officials.

- Increased Per Diem for Regional Board Members. The proposal had included an increase in the per diem compensation from $100 per day to $500 per day, and an increase in the annual cap from $13,500 to $60,000. This was intended to address, among other issues, the time spent by board members evaluating complex permits during board deliberations, and to attract and retain quality board members.

STAFF COMMENT

Staff has reviewed the proposal and in general concur with the proposals to change the constitution of the regional boards, including those proposals that were not originally included in the trailer bill language. However, staff have some concerns with the proposed consolidation of the regional boards and the appointment of the chair by the Governor's office rather than the regional boards. It is unclear why the Colorado Regional Board was selected for elimination rather than consolidation of urban Southern California boards (such as Santa Ana and San Diego). Staff recommends reconsideration of the board consolidation proposal to ensure the proposed consolidation achieves the goal of increasing government efficiency and reducing programmatic expenses at the regional board level.

Staff Recommendation: 1) APPROVE Trailer Bill Language (including the conflict of interest element). 2) DENY current regional board consolidation (elimination of Colorado Regional Board) and appointment of chair by the Governor. 3) Encourage continued to work on board consolidation efforts.

3960 DEPARTMENT OF TOXIC SUBSTANCES CONTROL

ISSUE 1: TOXIC SUBSTANCES CONTROL ACCOUNT REDUCTION (SFL)

The Governor requests funding shifts and reductions to align expenditure authority in the Toxic Substances Control Account (TSCA) with projected revenues. Specifically, DTSC proposes to: 1) shift $2,276,000 and 18.0 positions to the Federal Trust Fund (FTF) to support federal grants funded by the Department of Defense and the U.S. Environmental Protection Agency; 2) shift $780,000 and 6.0 positions to reimbursements; 3) shift $3,007,000 and 28.3 positions to the Hazardous Waste Control Account (HWCA); 4) shift $167,000 to support the California Environmental Contaminant Biomonitoring Program (CECBP) to Childhood Lead Poisoning Prevention Fund ($45,000); Birth Defects Monitoring Program Fund ($45,000); Department of Pesticide Regulation Fund ($39,000); and Air Pollution Control Fund ($38,000); and 5) decrease $2,863,000 and 24.0 positions in fiscal year 2012-13 and decrease an additional $3,504,000 and 35.8 positions in fiscal year 2013-14.

In addition to DTSC's total reduction in TSCA of $12.6 million and 59.8 positions, the Office of Environmental Health Hazard Assessment (OEHHA) is reducing their TSCA expenditure authority by $461,000 and the California Department of Public Health (CDPH) is reducing their TSCA expenditure authority by $889,000. Both CDPH and OEHHA are increasing special fund authority by a like amount to maintain full funding for the CECBP.

ISSUE 2: HAZARDOUS WASTE SPECIAL FUND REDUCTIONS (SFL)

The Governor requests a funding shift and reductions to offset an increase to the expenditure authority for the Hazardous Waste Control Account (HWCA) that would otherwise result from TSCA Reductions, which shifts positions from TSCA to HWCA funding. Specifically, DTSC proposes to: 1) shift $735,000 and 6.0 positions to the Federal Trust Fund (FTF) to support federal grants funded by the Department of Energy and the National Aeronautics and Space Administration (NASA); and, 2) decrease $2,272,000 and 12.0 positions.

ISSUE 3: FUNDING SHIFT FROM TSCA TO OTHER SPECIAL FUNDS (SFL)

The Governor requests a funding shift through a reduction of $461,000 from the Toxic Substances Control Account (TSCA) and an augmentation of from the $125,000 Childhood Lead Poisoning Prevention Fund (CLPPF); $106,000 from the Department of Pesticide Regulation Fund (DPRF); $105,000 from the Air Pollution Control Fund (APCF); and $125,000 from the Birth Defects Monitoring Program Fund (BDMPF). This fund shift will not change OEHHA's overall expenditure authority, and will continue to support the Biomonitoring program. This proposal is necessary due to a decline in TSCA revenues and the importance of maintaining the California Environmental Contaminant Biomonitoring Program.'

STAFF COMMENT

The Subcommittee held these items open at its May 16th hearing. Staff concurs with the need for the anticipated budget proposal. Reducing funding pressures overall will allow the Department to move forward with higher priority programs. However, staff has concerns with the proposal to shift funding from the Air Pollution Control Fund (APCF) to the Biomonitoring Program. This program, while broad-based, can appropriately be funded by a mix of fee and tax funding. However, staff is still reviewing the proposed funding from the APCF and the expenditures proposed for the Biomonitoring Program and as such should not be approved in this budget cycle.

Staff Recommendation: Approve Governor's proposals Issues 1-3 as budgeted less the following changes to the California Environmental Biomonitoring Program: DENY fund shift of $38,000 from the Toxic Substances Control Account to the Air Pollution Control Fund in the Department of Toxic Substances Control. DENY fund shift of $105,000 from the Toxic Substances Control Account to the Air Pollution Control Fund in the Office of Environmental Health Hazard Assessment.

ISSUE 4: GREEN CHEMISTRY PROPOSALS

Governor's Proposal. The Governor requests approval to redirect positions and funding for the department to implement the Safer Consumer Products regulations mandated by the two statutes. The Safer Consumer Products regulations provide a systematic and consistent approach for DTSC to evaluate chemicals in products sold in California to identify product-chemical combinations that are of high concern because of the potential for exposure to the chemical in the product and the potential for adverse public health or environmental impacts resulting from such exposures.

This process will lead to the identification/listing of products as Priority Products. Manufacturers of products listed as Priority Products will be required to conduct an alternatives analysis to compare the existing product with potential alternatives (e.g., chemical substitution or product redesign) using 13 factors evaluated at each stage of the product's life cycle. Upon conclusion of the alternatives analysis, the manufacturer will select an alternative chemical ingredient or alternative product design, or decide to retain the existing product-chemical. At this point, DTSC will evaluate the chosen alternative, or the existing product if no alternative is selected, using the information contained in the alternative analysis and other sources of information. The purpose of DTSC's evaluation will be to determine if there are adverse public health or environmental impacts associated with the product that can and need to be ameliorated by one or more regulatory responses.

Specifically this proposal is requesting to permanently redirect positions and funding identified below. Funding to support these redirections is from the Toxic Substances Control Account.

- Redirect 39.0 positions and $4.8 million associated with these positions
- Redirect $1.4 million for contracts and laboratory equipment and supplies

Background. After years of considering individual chemical bans and various chemical policies, the Legislature developed a broader, more comprehensive approach to chemicals policy. Two bills, AB 1879 (Feuer), Statutes of 2008, and SB 509 (Simitian), Statutes of 2008, require the Department to create a comprehensive and public approach to chemicals policy and lead to the development of the Green Chemistry Program at DTSC. Specifically, AB 1879 requires DTSC to adopt regulations to identify and prioritize chemicals of concern in consumer products, to evaluate alternatives, and to specify regulatory responses to reduce exposure to chemicals of concern in products. AB 1879 also created the Green Ribbon Science Panel to provide consultation to DTSC on the development of the regulations. SB 509 provides specific mandates to DTSC concerning the creation of an online, public Toxics Information Clearinghouse that includes science-based information on the toxicity and hazard traits of chemicals used in daily life.

LAO COMMENTS

While the DTSC's shift away from hazardous waste regulation activities toward green chemistry is consistent with legislative direction, DTSC has not yet provided us information that we requested about what activities it currently performs that will not be performed as a result of shifting positions away from other pollution prevention activities and into green chemistry.

We think this proposal merits consideration. We recommend the Legislature direct DTSC to explain what activities, particularly in the pollution prevention program, will be reduced in order to implement green chemistry, so that the Legislature has a full picture of the trade-offs of this proposal.

STAFF COMMENT

Staff Comments. Staff concurs with the need for the proposal. Green Chemistry was established to create a scientific, regulatory forum to analyze safer alternatives to toxic chemicals in consumer products. Passed without a funding source, DTSC is in the process of implementing the program, which will review the 80,000 chemicals in commerce and establish a process for prioritizing chemicals and products that present the greatest potential for human and environmental harm and establishing a process to analyze safer alternatives and impose appropriate regulatory responses. Given funding constraints, DTSC has proposed a modest program that will possibly allow for the review of 3-5 chemicals per year.

Given the clear need to establish a scientific, regulatory program to evaluate toxic chemicals in consumer products, it is imperative that the Green Chemistry program not be completely dependent on extraneous funding sources. Staff recommends adoption of trailer bill language that would require the Department to impose a fee on a person who, in accordance with the regulations implementing the alternatives process, is required by the Department to prepare and submit to the Department for review an alternatives analysis, to cover the reasonable costs to the Department in reviewing the submitted alternatives analysis and formulating and imposing a regulatory response. The trailer bill would require the Department to adopt regulations establishing a fee schedule and would allow the department to reduce the amount of the fee based upon the size and market share of the fee payer.

Staff Recommendation: APPROVE the Governor's May Revision proposal with proposed Trailer Bill Language outlined in Staff Comments.

8660 CALIFORNIA PUBLIC UTILITIES COMMISSION

ISSUE 1: GLOBAL SAFETY AND ENFORCEMENT PROGRAMS

The Governor's Budget proposes 41 positions and $5,896,000 ($3,561,000 CPUC Utilities Reimbursement Account, $153,000 State Highway Account, STF, $934,000 Public Transportation Account, STF, $787,000 PUC Transportation Reimbursement Account, $320,000 Reimbursements, $140,000 Federal Trust Fund) to strengthen safety oversight and enforcement over gas, electric, communications and rail public utilities. The 41 requested positions would conduct safety field work, and to enhance risk assessment and enforcement functions as follows: 18 positions in Gas, Electric and Communications Safety; 12 positions in Rail Safety for four targeted areas (rail crossings, rail transit systems, railroads, and rail safety risk management); and, 11 positions in Safety Enforcement. The Subcommittee held this item open at its April 11th hearing and directed LAO, DOF, CPUC, and Budget staff to investigate why there were so many vacancies at the Commission and the potential to redirect the vacant positions to the urgent and vital safety workload identified in the BCP.

LAO COMMENT S

Background. *Aspects of safety are regulated by entities at both the state and federal level. For example, the California Public Utilities Commission (CPUC) regulates privately owned electric, natural gas, telecommunications, water, railroad, rail transit, and passenger transportation companies. In addition, the state, under an agreement with the Federal Occupational Safety and Health Administration (OSHA), operates the California Occupational Safety and Health Administration (Cal/OSHA) program in accordance with the Occupational Safety and Health Act of 1970. (The federal OSHA has developed a set of safety standards for the electric power generation, transmission, and distribution industry). Moreover, under existing state law, the Cal/OSHA Board—a standard setting board within the Cal/OSHA program—is the only entity in the state authorized to adopt, amend, or repeal occupational safety and health standards or orders. In order to adequately enforce and administer all occupational safety and health standards and regulations, an enforcement unit within Cal/OSHA has jurisdiction over every place of employment in California. As such, power generation facilities and infrastructure are subject to inspection and enforcement by Cal/OSHA.*

Finally, the Department of Forestry and Fire Protection (CAL FIRE) implements safety standards and programs to reduce fire hazard. Specifically, CAL FIRE maintains a Power Line Fire Prevention program that includes standards and regulations intended to minimize wildland fires potentially caused by the operation of electrical power lines and energized electrical equipment that is used to deliver electrical power. These standards are based on studies and experiences of fire agencies and power line operations personnel, as well as on federal regulations and existing state law.

Governor's Proposal. *The Governor's January budget for 2012-13 proposes $5.9 million augmentation from various special funds (including about $3.million from the CPUC Utilities Reimbursement Account) and 41 additional positions to support CPUC's Consumer Safety Division. The additional positions would support legal and administrative law judge (ALJ) activities, gas safety, electric and fire safety, and railroad safety, including railroad crossing and gas pipeline safety inspections, fire safety inspections for utility lines, and safety* *inspections for electricity generators and substations. In addition, the Governor's budget proposes an additional $1.3 million on a one-time basis to support consulting services related to gas and rail safety.*

LAO Assessment. *Our analysis indicates that some of the workload identified in the Governor's proposal is justified. Specifically, some of the additional workload related to gas and rail safety activities was recommended by the National Transportation Safety Board as part of its evaluation the CPUC's safety programs. However, we find that the other workload included as part of the proposal is not justified. For example, the CPUC plans to use some of the requested resources to develop power line standards in order to reduce fire hazards. However, as indicated above, CAL FIRE already maintains a power line prevention program. We also note that the CPUC has been unable to explain how it would coordinate with CAL FIRE to avoid any duplication of efforts. In addition, the safety inspections that would be conducted by the CPUC may be duplicative of the inspections that are currently conducted by Cal/OSHA. Since most of the proposed activities are possibly outside the jurisdiction of the CPUC, it's not clear whether it would have enforcement authority and thus need additional legal and ALJ positions.*

Finally, we note that the CPUC, as a whole, currently has roughly 70 vacant positions. At the time of this analysis, the commission has not provided a plan on how it will address its vacancies. Given the CPUC's current vacancy rate, the requested funding may not be spent as proposed in the budget year.

LAO Recommendation. *In view of the above concerns, we recommend that the Legislature reject the Governor's January budget proposal to provide the CPUC with 41 additional positions and a $5.9 million augmentation to support these positions, as well as the $1.3 million proposed on a one-time basis for consulting services. In order to address some of the gas and railroad safety activities that are justified on a workload basis, we recommend—given the CPUC's current vacancy rate—that the Legislature direct the Administration to redirect existing resources within CPUC to support these activities. Finally, we recommend that the Legislature direct the CPUC to coordinate with CAL FIRE and Cal/OSHA to first determine where possible duplication of efforts and inadequacies exist in the area of safety, and provide a report to the Legislature on its findings.*

STAFF COMMENT

LAO's analysis is persuasive. Staff concurs that the workload justification for the gas and rail safety activities are credible and warranted. Further, staff agrees with LAO that the other workload included as part of the proposal is not justified and may be duplicative of work conducted by other state entities (i.e., CAL FIRE and Cal/OSHA). The CPUC has stated that it intends to fill a majority of the positions for which there are current vacancies. Therefore, staff believes some additional resources are needed.

STAFF RECOMMENDATION: 1) Approve $3,451,000 for 19 requested positions in the gas and Rail Safety Program. 2) Deny remaining 22 positions. 3) Deny $300,000 in one-time Consulting service. 4) Approve access to $960,000 in federal funds to strengthen safety oversight and enforcement of gas, electric, communications and rail public utilities.