

AGENDA
ASSEMBLY BUDGET SUBCOMMITTEE NO. 3
NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION

Assemblymember Fran Pavley, Chair

WEDNESDAY, MAY 22, 2002
STATE CAPITOL, ROOM 444
2:00 PM, OR UPON CALL OF THE CHAIR

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PROPOSED CONSENT CALENDAR

3790: Department of Parks and Recreation

LAO Land Acquisition Information Supplemental Report Language (SRL)

The Subcommittee directed staff to work with LAO and Parks to come up appropriate SRL to alleviate the LAO's concerns relating to long-term planning and State Parks acquisitions. The following is the agreed-upon language:

Supplemental Report Language

The Department of Parks and Recreation shall submit a report to the Legislature by March 1, 2003 that includes the following:

- 1) An assessment of the costs necessary to permit initial public access to each land acquisition acquired in 2000-01 and 2001-02 and an estimate of the related ongoing operations and maintenance costs of each acquisition to permit such access.*
- 2) To the extent known, potential development and ongoing costs based on the approved General Plan, or where the General Plan has yet to be completed, based on planned or possible uses of each land acquisition acquired in 2000-01 and 2001-02.*

3940: State Water Resources Control Board

Proposition 13 Bond Funds

The Governor's January 10 budget included a proposal for \$70.9 million for local assistance funding. Programs utilizing these funds include the Board's Water Recycling Program, the Watershed Protection Program, the Nonpoint Source Pollution Control Program, the Coastal Nonpoint Source Control Program, the Southern California Integrated Watershed Program, the Lake Elsinore and San Jacinto Watershed Programs.

3960: Department of Toxic Substances Control

Toxic Site Cleanup Supplemental Report Language

Both the California Pollution Control Financing Authority (CPCFA) and the Department of Toxic Substances Control (DTSC) are both involved in providing financial assistance for the assessment and cleanup of urban toxic waste sites, commonly referred to as "brownfields." The LAO has raised concern over the possibility of overlap in the responsibilities of these two State entities. The following Supplemental Report Language has been worked out by CPCFA and DTSC to provide appropriate oversight and coordination.

Supplemental Report Language

On or before March 1, 2003, the California Pollution Financing Authority (CPCFA) and the Department of Toxic Substances Control (DTSC) shall report to the Chair of the Joint Legislative Budget Committee and the chairs of the budget committees of both houses on their efforts to coordinate their respective brownfield financing programs, to identify any obstacles the brownfield financing programs may pose to each other or synergies they may create for one another, and the results of their efforts to effectively target and maximize the investment of State resources for site assessment, cleanup and redevelopment of brownfield properties.

Department of Toxic Substances Control, continued

Clandestine Drug Lab Program (APRIL 1 FINANCE LETTER)

\$1,953,000 (Illegal Drug Lab Cleanup Account) increase to the Department for increased costs relating to the cleanup of illegal drug laboratories.

Cost Recovery Billing System (APRIL 1 FINANCE LETTER)

\$613,000 (Toxic substances Control Account) increase for funding to convert and enhance the cost recovery billing system at the Department of Toxic Substances Control.

Increased Federal Match - Hazardous Waste Control Account (APRIL 1 FINANCE LETTER)

\$250,000 (Hazardous Waste Control Account) increase to serve as a 25 percent match to \$750,000 (federal funds) to assist in the regulation of hazardous waste.

Abolish Vacant Positions (APRIL 1 FINANCE LETTER)

Abolishes 3.3 vacant positions pursuant to Budget Bill Control section 31.50.

Abolish Vacant Positions (APRIL 1 FINANCE LETTER)

Abolishes 4.7 vacant positions associated with additional overtime, pursuant to Budget Bill Control section 31.50.

3980: Office of Environmental Health Hazard Assessment

Abolish Vacant Positions (APRIL 1 FINANCE LETTER)

It is requested that Item 3980-001-0001 be amended by eliminating 2.0 vacant positions. This action is consistent with proposed Budget Bill Control Section 31.50.

Abolish Vacant Positions (APRIL 1 FINANCE LETTER)

It is requested that Item 3980-001-0001 be amended by reducing Reimbursements by \$144,000, with a corresponding reduction of 3.0 vacant positions. Reimbursements have not materialized for the Registered Environmental Assessor Program. This action is consistent with proposed Budget Bill Control Section 31.50.

Committee Staff Recommendation: *Approve the Consent Calendar.*

ITEMS TO BE HEARD

0540: Secretary for Resources

Issue 1: River Parkways—Proposition 13

The Governor's May Revise included \$7,625,000 (Proposition 13) for several River Parkway projects. It is also requested that \$16,000 (Proposition 13) be added for administrative costs associated with these projects.

Committee Staff Recommendation: Rescind the Subcommittee's previous action, approving the following projects, including Coyote Creek which was not previously before the Subcommittee.

San Gabriel River	\$3,000,000
San Dieguito River	\$2,000,000
San Diego River	\$2,000,000
Tuolumne River	\$625,000
Coyote Creek Trail	\$425,000

3480: Department of Conservation

Issue 1: California Farmland Conservancy Program

At a previous hearing, this Subcommittee approved the Administration's January request for \$5.0 million (Proposition 12) in support of the Department of Conservation's California Farmland Conservancy Program. In addition to the \$5.0 million, there remains \$6.7 million available in Proposition 12 funds for these purposes.

Given on-going discussions regarding the Agricultural and Grazing Land Preservation funds provided for in Proposition 40, the Subcommittee may wish to increase the \$5.0 million to \$11.7 million to ensure continued agricultural land preservation activities.

Committee Staff Recommendation: Approve the increase of \$6.7 million (Proposition 12) to the Farmland Conservancy Program.

3540: Department of Forestry and Fire Protection

Issue 1: Sudden Oak Death

\$2.0 million (General Fund) to support the Department's efforts and activities to respond to Sudden Oak Death.

Sudden Oak Death Syndrome (SOD) was first discovered in 1995 in a single patch of tan oak trees in Marin County. Phytophthora, the scientific name for SOD, has quickly spread over the coast of California and has been killing oak trees at an alarming rate. Unfortunately, the effects of the disease are more ubiquitous than originally suspected. Indeed, several new species of trees, as well as nursery stock and shrubs have been infected

Committee Staff Recommendation: Approve \$2.0 million (General Fund) to support CDF's efforts to combat SOD.

Department of Forestry and Fire Protection, continued

Issue 2: Emergency Fund (E-Fund) Language

Previously, this Subcommittee heard the Administration's proposal to do away with the E-Fund. In its place, the Department would seek payment for unforeseen fire-suppression costs from the 'Reserve for Economic Uncertainties.' The following Supplemental Report Language is recommended to best ensure both the expedient payment of debt and appropriate Legislative oversight.

Budget Bill Language

3540-001-XXXX.....\$XX

Provision 3. The Director of Forestry and Fire Protection shall furnish quarterly reports on expenditures for emergency fire suppression activities to the Director of Finance, the Chairperson of the Joint Legislative Budget Committee, and the policy and fiscal committees of each house. Notwithstanding Section 27.00 of this act, the Director of Finance may authorize expenditures in excess of the amount appropriated in this item by an amount necessary to fund emergency fire suppression costs. The authorization shall occur not less than 30 days after receipt by the Legislature of the quarterly expenditure report from the Department of Forestry and Fire Protection.

Committee Staff Recommendation: Adopt the Supplemental Report Language.

3790: Department of Parks and Recreation

Issue 1: General Fund Reduction to State Park Facility Services

\$1,100,000 (General Fund) reduction to Parks and require the Department to cut costs associated with surcharges paid to outside vendors providing reservations to camp users and by the reinstatement of the 'Iron Ranger'.

Not all park units have visitor centers or other staffing opportunities to facilitate the collection of fees. Many of these parks have a collection station called an 'Iron Ranger' where visitors are encouraged to deposit fees. The Department has stopped using the 'Iron Rangers' and has been leaving Park facilities unattended by staff. Though usage of these parks is technically subject to the same fees as staffed parks, visitors no longer are expected to pay. The resulting loss of revenue is approximately \$300,000 annually.

Committee Staff Recommendation: (1) Reduce by \$1,100,000, the General Fund support, and direct the Department to reinstate the use of the Iron Rangers at currently unsupervised State Park Facilities. (2) Additionally, direct the department to cut costs associated with the payment of the \$7.50 per reservation surcharge on State Park reservations.

Department of Parks and Recreation, continued

Issue 2: Capital Outlay

Title	Jan 10 Budget	May 1 Technical Letter	May Revise Letter	Committee Staff Recommendation
Border Field State Park	\$6,449,000	\$1,200,000		Approve the Jan. proposal and the Tech. Letter
Fort Ross State Historic Park	\$307,000	\$63,000		Approve the Jan. proposal and the Tech. Letter
Pfeiffer Big Sur State Park	\$3,358,000	-\$3,059,000		Approve the Jan. proposal and the Tech. Letter
Prairie Creek State Park	\$1,969,000	-\$1,810,000		Approve the Jan. proposal and the Tech. Letter
Rancho San Andreas Castro Adobe		\$613,000		Approve the Technical Letter
Reappropriations				
Hearst San Simeon Road Stabilization				Approve the Reappropriation
Malibu Creek Sepulveda Adobe				Approve the Reappropriation
Sinkyone Wilderness Watershed Restoration				Approve the Reappropriation
Point Cabrillo Studies				Approve the Reappropriation
Point Cabrillo Drainage and Erosion				Approve the Reappropriation
Wilder Ranch Farmhouse				Approve the Reappropriation
Carnegie SVRA Alameda/Tesla				Approve the Reappropriation
Folsom Powerhouse Visitor's Center			\$1,887,000	Approve the May Revise Letter
Crystal Cove El Morro Conversion	\$803,000		\$96,000	Approve the Jan. proposal and the May Revise Letter
Angel Island Immigration Station Restoration			\$1,144,000	Approve the May Revise Letter

Committee Staff Recommendation: *Approve the Capital Outlay proposals.*

3900: Air Resources Board

Issue 1: Air-Monitoring Program (MAY REVISE FINANCE LETTER)

\$3.0 million (General Fund) reduction to the Air Board's air monitoring activities.

Committee Staff Recommendation: *Approve the May Revise Letter.*

Issue 2: General Fund Reduction (MAY REVISE FINANCE LETTER)

\$300,000 (General Fund) reduction to the Air Board's funding for the stationary source program.

Committee Staff Recommendation: *Approve the May Revise Letter.*

3940: State Water Resources Control Board

Issue 1: Wetlands - Supplemental Report Language

The California Research Bureau report on wetlands identified the need to determine how isolated wetlands would be regulated in the face of a court case that limited Federal Clean Water Act jurisdiction. Prior to the decision, the SWRCB had deferred to the federal government on wetland permitting because the jurisdiction was overlapping. Now, the federal government won't be handling a subset of these projects that are still subject to state law. This will assist the budget committees in reviewing how this change in law will effect SWRCB budget and activities in future years.

Committee Staff Recommendation: To better assist the Legislature in understanding the State's needs, both from a policy and fiscal perspective, the Boards should report to the Legislature on the following:

Supplemental Report Language

The board shall report to the Legislature not later than April 1, 2003, on the projected workload, personnel requirements and regulatory steps needed to implement a water quality permitting program to conserve and protect wetlands that are not subject to regulation pursuant to the Clean Water Act (33 U.S.C. Sec.1251 et seq).

3980: Office of Environmental Health Hazard Assessment

Issue 1: General Fund Reduction (MAY REVISE FINANCE LETTER)

\$1.4 million (General Fund) reduction to reflect a reduction in scientific literature research, technical services for development of risk assessments, and evaluations of contaminants.

In addition, the Subcommittee previously approved a portion of the Administration's January 10 request for a \$1,513,000 million (General Fund), reducing only \$760,000 of the request, leaving \$753,000 for activities of OEHHA. Staff recommends rescinding that previous action and taking the following actions:

Committee Staff Recommendation:

(1) **January Proposal** - Rescind the earlier augmentation of \$760,000 and approve only \$616,000 (for a new reduction of \$897,000) as follows:

- \$183,000 for evaluations of toxic air contaminants under the Children's Environmental Health Protection Act.
- \$179,000 for activities to limit the development of cancer risk assessment guidance for health based standards of infants and children.
- \$204,000 for the development of Public Health Goals (PHG's).
- \$50,000 for technical services via contracts for development, review, and evaluation of school site risk assessment guidelines.

(2) **May Revise Proposal** - Approve \$707,000 of the Finance Letter reduction; deny \$693,000 of the Finance Letter reduction and allocate funds as follows:

- \$38,000 to assess Children's health risk from exposure to contaminants
- \$69,000 to the Reproduction and Cancer Hazard Assessment section
- \$223,000 to examine health effects associated with gasoline usage
- \$104,000 to assess children's exposure to air pollution
- \$77,000 to develop PHG's
- \$182,000 for the evaluation of toxic air contaminants under the Children's Environmental Health Protection Act.

PROPOSITION 40

The Governor's January 10 Budget and May Revise propose a total expenditure of \$804.5 million from Proposition 40 bond funds among various departments, boards and conservancies in the Resources and Environmental Protection Agencies. This includes \$101.1 for the CALFED Bay-Delta program. Also proposed are 92.1 personnel years for fiscal year 2002-03 to implement the bond.

Issue 1: Administrative costs.

The Governor's Budget proposes 9.1% for administrative costs. Previous bonds have allocated 5% for administrative costs. Staff has raised the question as to the necessity of this specific reference.

Committee Staff Recommendation: Adopt the following control section language to limit the administrative costs (separate from bond related costs) by a total of 5%.

Section xx. Notwithstanding any other provision of law, of the funds appropriated in this act for purposes of grant programs and property acquisitions from Proposition 40, approved by the voters in March 2002, total program delivery costs shall not exceed 5 percent of the total provided for grant program and property acquisitions.

Issue 2: CALFED Bay Delta Program

The Budget includes \$101.1 million in Proposition 40 funds that have been scored as CALFED expenditures. These include: \$30 million to the Wildlife Conservation Board; \$10 million to the Coastal Conservancy; \$10 million for the River Parkways Program; and \$51.1 million for the Clean Beaches/Watershed Protection funds.

While a bond act to protect the State's natural resources, the funding of the CALFED Bay-Delta Program from Proposition 40 is not consistent with the Legislative intent of the Bond Act itself. A more appropriate fund source for CALFED may be the Water Initiative, which qualified for the November 2002 ballot yesterday.

Committee Staff Recommendation:

(1) Shift \$51.1 million (Proposition 40) proposed in the Governor's January budget to funding from the CALFED allocation within the Water Quality, Supply and Safe Drinking Water Act of 2002, before the voters on the November 2002 ballot. Specifically, these proposals are:

- \$20.6 million for Watershed Protection activities.
- \$30.5 million for the Drinking Water Quality Program.

(2) Deny the \$30 million to the Wildlife Conservation Board. These funds are continuously appropriated and do not require appropriation by the Legislature.

Issue 3: Urban Parks Program

Although a significant portion of Proposition 40 provided funding for urban parks the Governor's May Revise did not include funding for any of the three local urban parks programs included in the bond.

As a result of experience with Proposition 12 certain barriers to the development of urban parks have become evident. Specifically there is no central point in the State Department of Parks and Recreation for the encouragement and support of urban parks, technical assistance in siting urban parks, advice and assistance in how to apply for funding and obtain governmental permits including site contaminant assessments and how to plan for ongoing maintenance.

In addition the local match requirement in the Roberti-Z'berg local assistance program is a significant barrier to poor communities accessing funds from the Murray-Hayden urban parks program funded in Propositions 12 and 40. The Roberti-Z'berg program match requirements were created in a different time and need to be changed.

Committee Staff Recommendation:

- (1) Approve \$127.4 million for the Urban Parks Act and \$45.5 million for the Murray-Hayden competitive grant program in the budget year.
- (2) Adopt trailer bill language to create a division of urban parks in the State Department of Parks and Recreation.
- (3) Direct staff to develop a trailer bill that will remove the Roberti-Z'berg matching grant provision.

Issue 4: Carl Moyer Air Quality Program

This program provides matching grants to local air quality districts for the acquisition of low-polluting vehicles to replace existing diesel vehicles such as trash trucks and buses. Proposition 40 includes \$50 million for this program. The May Revise proposes spending \$9.1 million in the Budget Year.

Committee Staff Recommendation:

- (1) Approve the \$9.1 million requested in the May Revise Finance Letter and increase the appropriation to a total of \$25 million for the Carl Moyer program in the Budget year.
- (2) Approve BBL that authorizes 20% of the Carl Moyer funds for clean school buses.

Issue 5: Acquisition and Development of the State Parks System

The Governor's January 10 Budget and the May Revise include \$10 million for deferred maintenance; \$40 million for an opportunity acquisition program, and \$15.5 for acquisition and development of key existing state park projects. These include:

- \$1.65 million for the Taylor Yards.
- \$1.85 million for the Cornfields.
- \$800,000 for Topanga State Park.
- \$9.2 million for Crystal Cove State Park
- \$2.0 million for Will Rogers State Historic Park.

Committee Staff Recommendation:

(1) Approve as proposed in May Revise Finance Letter.

(2) Adopt the following Control Section Language to provide the Legislature with appropriate notification of the expenditure of Proposition 40 funds.

Section xx. Any department, agency or commission seeking funding for any project, not authorized in statute by name or description, involving the purchase of interests in property where the total expenditure of Proposition 40 funds for the project is in excess of \$25 million shall provide the Joint Legislative Budget Committee, 30 days prior to any granting funds, a detailed description of the portion of the project being funded and a detailed description of the whole project. For the purpose of this section, a "single project" includes all purchases using Proposition 40 funds of adjacent or nearby properties, whether for single or multiple purchases.

Issue 6: Conservancies

The May Revise includes funds from Proposition 40 for acquisition, development, rehabilitation, restoration and protection of land and water.

Committee Staff Recommendation: Approve the appropriations to the following Conservancies in the following amounts:

- \$140 million - State Coastal Conservancy
- \$20 million - Santa Monica Mountains Conservancy
- \$8 million - Coachella Valley Mountains Conservancy
- \$2.5 million - San Joaquin River Conservancy
- \$18 million - Rivers and Mountains Conservancy
- \$20 million - Baldwin Hills Conservancy
- \$20 million - San Francisco Bay Conservancy

This reflects an increase in funding to the Santa Monica Mountains Conservancy by \$8.0 million and to the Baldwin Hills Conservancy by \$5.0 million.

Issue 7: River Parkways

The Administration proposes to fully spend the \$70 million for the acquisition and development of specific River Parkways. Only \$5 million, as required by the Bond, for urban streams is held for appropriation in the next budget year. The May Revise proposes expenditures to the following River Parkways:

Ballona Creek	\$16.5 million
San Diego River	\$10 million
Otay River	\$1 million
Santa Ana River	\$10 million
Central Coast Rivers	\$9.6 million
Yuba River	\$4 million
American River	\$2.5 million
Tuolumne River	\$2 million
Sierra Cascades	\$5 million
Big River	\$1 million
Mill Creek	\$1 million
Opportunity Grants	\$1.1 million

Committee Staff Recommendation: Reduce the Ballona Creek from \$16.5 million to \$1.5 million and save the other \$15 million for the next budget year. Approve the remaining appropriations.

This action provides \$20 million for future Budget Years for additional river parkway projects and grants to urban stream programs.

Issue 8: New Programmatic Areas Requiring Greater Statutory Guidance

Prop 40 included three programs that were new programs or programs that required additional legislative direction and standards. The January 10 and May Revise proposed spending \$164 million for clean beaches, watershed protection and water quality projects, and \$107 million for acquisition, restoration, preservation and interpretation of historical and cultural resources and \$9.75 million for grants for agricultural and grazing lands preservation including oak woodlands and grasslands.

Committee Staff Recommendation: Delete the funds from the Budget for all three programs-- Clean Beaches, Cultural Historical and Agricultural and Grazing Lands. It is the intent of the Legislature to provide the necessary statutory guidance through subsequent Legislation that will include any necessary appropriation.

Issue 9: California Conservation Corp: Local Corps Grants

The May Revise proposes spending \$4 million for grants to local conservation corps for acquisition and development of facilities to support local corps programs.

Committee Staff Recommendation: Approve May Revise proposal.

Issue 10: Specific Programs and Projects

Proposition 40 includes a number of allocations that are specific to programs and projects. The May Revise proposes to appropriate all of the following funds:

- \$12.5 million to the City of Los Angeles for acquisition & development of local parks
- \$10 million to the County of Los Angeles for acquisition & development of local parks
- \$10 million to the City of Rancho Cucamonga for the development of a Central Park
- \$5 million to the City of Los Angeles for the Hansen Dam Recreation Area
- \$5 million to the City of Los Angeles for the Sepulveda Basin
- \$35 million to the City of San Francisco for Golden Gate Park
- \$2.5 million to the County of Los Angeles for the El Pueblo Cultural & Performing Arts

Committee Staff Recommendation: Remove from the Budget. It is the intent of the Legislature to appropriate these funds in Legislation separate from the Budget Act.

CALFED BAY-DELTA PROGRAM

Issue 1: May Revise Finance Letters

The CALFED Bay-Delta Program, a cooperative State and federal effort, was established in 1995 to address problems of the San Francisco Bay/Sacramento-San Joaquin Delta Estuary (the Bay-Delta) system. Its mission is to develop a long-term comprehensive plan that will restore ecological health and improve water management for beneficial uses of the Bay-Delta system. The State's participation in the CALFED Bay-Delta Program involves the Resources Agency, nine of its constituent departments, and the State Water Resources Control Board.

The Governor's January budget proposed \$519.3 million (\$58.9 million General Fund) in State funding for the CALFED Bay-Delta Program.

Previous Subcommittee Action: Earlier in this Subcommittee's review of the Governor's proposed budget it reduced General Fund support to various program elements totaling \$19.0 million. This action reduced State's support for CALFED to \$519.3 million (\$39.9 million General Fund).

May Revise Proposal: The Governor's May Revise proposes, through various reductions and a realignment of funds, a reduction of \$12.9 million in General Fund support for CALFED and a realignment of existing funds to best support the overall CALFED Program priorities. The specific General Fund in the Governor's May Revise include:

Ecosystem Restoration Program

- \$179,000 (General Fund) reduction to Department of Water Resources' fish passage improvements that remove impediments to fish migration in Bay-Delta and Central Valley.

Watershed Management Program

- \$154,000 (General Fund) reduction to the Department of Forestry's activities including GIS mapping and data support.
- \$245,000 (General Fund) reduction to the Department of Water Resources' (DWR) activities associated with local watershed organizations.
- \$1,470,000 (General Fund) reduction to CALFED's contracts.

Science Program

- \$2,030,000 (General Fund) reduction to CALFED's contracts to be back-filled by Prop. 13.

Drinking Water Quality Program

- \$1,500,000 (General Fund) reduction to CALFED's contracts.

Levee Program

- \$113,000 (General Fund) reduction to CALFED's oversight and coordination activities.
- \$948,000 (General Fund) shift of Levee Program activities' funding from General Fund to State Water Project Funds.
- \$2,500,000 (General Fund) reduction to local assistance activities.

Water Use Efficiency

- \$3,145,000 (General Fund) reduction to DWR's staff relating to WUE activities.
- \$616,000 (General Fund) shift from General Fund to State Water Project Funds for WUE activities.

CALFED Funding Realignment

The Administration's May Revise requests the reallocation of \$4.3 million (General Fund) provided for the CALFED Bay-Delta Program to reflect a realignment of priorities for implementation of the Record of Decision. This proposal will shift funding from various CALFED program elements, such as the Storage and Levees Programs, to Program Oversight and Coordination. These reallocations reflect no overall reduction to the CALFED Program, simply a reprioritization of existing resources.

The recommended reductions and changes listed below retain the \$19.0 million General Fund reduction to CALFED taken by the Subcommittee previously. This reflects a \$6.1 million greater General Fund reduction than proposed by the Administration in the May Revise, yet retains approximately \$40.0 million in General Fund support to CALFED. Additionally, this proposal includes approximately \$460 million in bond and other special funds for the Program.

Committee Staff Recommendation:

(1) Rescind the previous Subcommittee General Fund reductions (totaling \$6,496,000) relating to the following items:

Ecosystem Restoration Program

- \$100,000 to DWR
- \$500,000 reduction to Fish and Game.

Water Use Efficiency Program

- \$150,000 reduction to CALFED.

Levee Program

- \$3,500,000 reduction to DWR.

Watershed Management Program

- \$1,400,000 reduction to DWR.

Water Storage Program

- \$246,000 reduction to CALFED.

Program Management

- \$600,000 reduction to CALFED.

(2) Amend previous Subcommittee General Fund reductions as follows:

Watershed Management Program

- From \$2,025,000 of a reduction to \$1,870,000 of a reduction.

Water Storage Program

- From \$5,254,000 of a reduction to \$4,187,000 of a reduction to DWR.

(3) Approve the May Revise proposal realigning funding of the CALFED Program.

(4) Approve the following General Fund reductions:

Drinking Water Quality Program

- \$1.5 mil. reduction to CALFED (May Revise).

Watershed Management Program

- \$1.445 mil. reduction to the DWR (Staff Recommendation).
- \$154,000 reduction to CDF.

Levee Program

- \$3,488,000 from DWR (May Revise).

Science Program

- \$2,030,000 from CALFED (May Revise).

Issue 2: Environmental Justice Supplemental Report Language.

On or before February 1, 2003, the department shall submit to the chairs of the fiscal and pertinent policy committees of both houses on the department's efforts relating to environmental justice. The report shall include the following:

- The department's efforts to develop program-wide environmental justice goals, objectives, strategies and performance measures.
- The department's efforts to develop annual work-plans for the Environmental Justice subcommittee, and to assist with implementation of program-wide goals, objectives, strategies and performance measures.
- The department's efforts to ensure meaningful and substantive participation of community-based organizations and environmental justice groups in the CALFED program; include planning, program implementation, and decision making.
- The department's efforts to develop and implement a CALFED program-wide environmental justice education and technical assistance program.
- The department's efforts to address priority environmental justice issues in each of the CALFED program elements.

Committee Staff Recommendation: Adopt the SRL.

Issue 3: Record of Decision SRL

The CALFED Record of Decision (ROD) has an established set of benchmarks for implementation. The following asks for the CALFED program to provide information to the Legislature on the status of particular implementation of ROD tasks that are due this year.

Supplemental Report Language

On or before December 1, 2002, the CALFED Bay-Delta program shall submit to the Legislature a report containing the following:

- A recommendation to establish a process to certify urban water conservation best management practices implementation.
- A proposal to generate \$35 million annually in user fees to support ecosystem restoration
- Cost allocation principles and a draft financing plan for each potential surface storage facility consistent with CALFED's "beneficiary pays" requirement.
- An identification of likely beneficiaries of each potential surface storage facility.
- Environmental monitoring and adaptive management programs for all Environmental Water Account and State Water Project purchases.
- An analysis of the impact of court rulings regarding the Central Valley Project Improvement Act on CALFED implementation, including ecosystem restoration, the Environmental Water Account and conveyance issues.
- A report regarding progress in implementing the CalFed environmental justice program.
- A status report on progress in preparing groundwater management legislation.
- A definition of appropriate water measurement, as discussed in the Record of Decision, including urban metering.

FEES

3540: Department of Forestry and Fire Protection

Timber Harvest Plans

The Governor's proposed 2002-03 budget includes approximately \$21.5 million of general fund in support of State activities relating to the review and approval of THPs. These activities ensure the compliance with State environmental protection laws by individuals and businesses seeking to harvest timber for sale.

The Subcommittee directed staff to convene a working group to look at the feasibility of imposing a fee on THPs as well as the possibility of "streamlining" the review process. The staff has proposed the following option for fees should the Subcommittee wish to consider a fee to increase revenues to support State activities.

Proposal:

- A fixed assessment, based upon a percent (1% to 4%) of the yield value on timber harvested on non-federal lands, to support costs of reviewing and enforcing timber harvest plans.
- Monies generated by this assessment would be deposited into a special fund to support the State's activities concerning the review of THPs.
- The Board of Equalization would collect these timber yield fees.

A 3 percent fee based on this proposal is estimated to generate \$4.8 million in General Fund savings in the Budget Year, and \$18 million General Fund savings in the 2003-04 fiscal year.

The Senate Subcommittee approved a 4 percent timber yield fee in 2002-03 and 2003-04, to be adjusted in future years in order to fund the entire timber yield plan review and enforcement program. This proposal is estimated to generate \$5.8 million in the budget-year, and \$22 million General Fund Savings in the 2003-04 fiscal year.

Committee Staff Recommendation: Should the Subcommittee wish to seek participation by timber harvesters in funding the review of THPs, staff recommends (1) the approval of trailer bill language to set the yield fee at 3% of the yield value, and(2) the reduction of \$3.0 million (General Fund) from State entities involved in the review of timber harvest plans.

This action would put this into Conference Committee and afford additional time to continue working with stakeholders including the timber industry, in order to develop a final proposal for consideration by the Legislature.

3900: Air Resources Board

Stationary Source Program Funding

The Governor's January budget proposed \$43.1 million (\$24.9 million General Fund) for the stationary source program. The LAO, in its "*Analysis of the Budget Bill, 2002-03*" recommends applying the "Polluter Pays" principle and reassessing the fee structure of the program. The LAO's proposal would shift \$18.7 million from the General Fund to fees. The Subcommittee directed staff, LAO and ARB to look a possible proposals and/or feasibility of fee increases.

The following options have been discussed and provided for the Subcommittee's consideration:

1. Remove the existing \$3 million cap on statewide fee collection, and require the ARB to develop regulations. The regulations would include cost of living adjustments based on the consumer price index (CPI).
2. Approve a standard fee structure of \$26 per ton for polluters who emit more than 10 tons per year. The analyst estimates this option would generate and addition \$3.2 million for the program.
3. Approve a standard fee structure of \$35 per ton for polluters who emit more than 10 tons per year. The analyst estimates this option would generate and addition \$5.5 million for the program.
4. Approve a tiered fee structure that establishes a \$26 per ton fee between 10 and 500 tons per year, and a \$52 per ton fee for polluters who emit 500 tons or more.

Of the entire stationary source program budget, only six percent (\$3 million) is from fees levied on stationary source polluters. The LAO points out that less than 250 facilities (out of approximately 20,000 stationary sources) pay the stationary source fee. The existing fee structure of \$25 per ton for facilities that emit 500 tons per year does not deter, nor encourage businesses to reduce their air pollutants. If the goal of the program is to help reduce air pollution, it is necessary to reexamine the existing fee structure.

The May Revise reduced expenditures to the Stationary Source Program by \$300,000, citing reduced State revenues as the reason for the needed reduction.

Committee Staff Recommendation: Adopt trailer bill language to delete the \$3,000,000 cap on statewide fees that may be collected. The Air Board may, through its regulatory process, seek to increase or restructure its current fees to provide additional support to the Stationary Source Program noting the reductions made to General Fund support.

3940: State Water Resources Control Board

Core Regulatory Fees

The Governor's budget proposes \$68.3 million in expenditures in support of Water Board's core regulatory programs. Included in this proposal is a requested shift \$15 million from the General Fund to the Waste Discharge Permit Fund (WDPF). To accomplish the fund shift, the Administration has introduced trailer bill language to increase the statutory cap on fees from \$10,000 to \$20,000.

The Legislative Analyst's Office recommends a full fee-based recovery of the core regulatory program costs. The LAO recommends an additional \$22.1 million reduction from the General Fund, and increase the WDPF by a similar amount.

The Subcommittee directed staff to work with the LAO, the SWRCB and DOF to examine, and if possible, develop a proposal for a regulatory fee that incorporates:

- The \$15 million proposed by the Administration.
- The \$22.5 million additional recommended by LAO.

The May Revise reduced \$6.2 million from the Stormwater Pollution Program, citing decreased State revenue as the reason for the General Fund reduction.

Committee staff, in consultation with the LAO and the Water Board, and with input for many in the affected communities, presents the following discussion items for the Subcommittee:

Options

- Eliminate the existing \$10,000 cap and establish a new cap of \$25,000 to \$35,000
- Establish a new category of "Super Dischargers" (facilities with design flows over 100 million gallons per day), and include a cap of \$50,000 to \$200,000 for the new category.
- Eliminate the one-permit, one-fee rule (the co-permittee exemption).
- Eliminate the exemption for confined feeding operations (dairies).

The LAO has assisted in coordinating the discussions on this issue and should present this item to the Subcommittee.

Committee Staff Recommendation:

(1) *Reduce the Water Board's General Fund budget by \$16.3 million (and increase the corresponding reimbursement authority from fees) and adopt trailer bill language incorporating the following components:*

- Establish a new cap of \$35,000.
- Eliminate the exemption for confined animal feeding operations from these water fees.
- Include co-permittees in the payment of fees associated with municipal stormwater permits.

(Note: Since the Governor's budget proposes to backfill \$15 million with increased fees, the trailer bill language has to include an urgency statute)