

AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 3 NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION

Assemblymember Ira Ruskin, Chair

**WEDNESDAY, APRIL 2, 2008
STATE CAPITOL, ROOM 447
9:00A.M.**

Hearing Items

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CONSENT CALENDAR

ITEM	DEPARTMENT	SUMMARY
3860	Department of Water Resources	State Water Project Dam Safety: Four new positions (State Water Project Funds) for dam safety, seismic monitoring, and maintenance activities.
3860	Department of Water Resources	Salton Sea: \$3 million (Proposition 84) for restoration activities in coordination with the Dep. of Fish and Game at the Salton Sea.
3860	Department of Water Resources	Suisun Marsh Plan of Protection: \$299,000 (State Water Project Funds) and 2 new positions to implement the Revised Suisun Marsh Protection Agreement.
3860	Department of Water Resources	Bryte Chemical Lab: 2 new positions, absorbed within existing resources, for increased low-level mercury water quality workload.
3860	Department of Water Resources	Environmental Compliance Restoration: 8 new positions (no funding requested) to continue ongoing work for Environmental Compliance and Water Quality Monitoring. Currently, this work is conducted by temporary and contracted staff.
3860	Department of Water Resources	Urban Streams/River Protection Program: \$7.4 million (Proposition 84) for local assistance funding for the Urban Streams Program. \$2.2 million (Proposition 13) for the River Protection Program.
3860	Department of Water Resources	Proposition 1E Accountability: \$800,000 and 4 new positions for bond accountability, management, and metrics tracking.
3860	Department of Water Resources	Bay Delta Modeling, Reporting Review and Support: Four full time positions (State Water Project Funds) to support and enhance modeling tools for the Delta.
3860	Department of Water Resources	Pelagic Organism Decline: Two full time Environmental Scientist staff positions (State Water Project Funds) to study the potential causes of Pelagic Organism Decline.
3860	Department of Water Resources	Urban Streams Program/River Protection Programs: \$7.3 million (Proposition 84) for ongoing Urban Streams Program. \$2.2 million of previously reverted Proposition 13 funds for ongoing flood damage reduction projects on the Sacramento River.
3860	Department of Water Resources	California/Nevada Water Allocation of the Truckee River: \$350,000 in Federal Trust Funds and a 3-year limited term position to provide for FY 2008/09-scheduled Truckee River Operating Agreement (TROA) implementation.
3860	Department of Water Resources	Proposition 50 Technical Reversions: \$6,449,000 from unused Proposition 50, Chapter 7 funds from Fiscal Years 2004-05, 2005-06, and 2006-07 that were earmarked for water conservation and water supply reliability projects.
3860	Department of Water Resources	Methyl Mercury and Low Dissolved Oxygen Studies: \$16,388,000 over four years (\$8,986,000 in FY 08/09, \$3,634,000 in FY 09/10, \$1,884,000 in FY 10/11, and \$1,884,000 in FY 11/12) from Proposition 13 including support for 3.9 existing positions for CALFED Ecosystem Water Quality. \$5,488,000 is requested to address low dissolved oxygen in the Stockton Deep Water Ship Channel and \$10,900,000 is requested to address abandoned mines drainage to reduce methyl mercury in the Delta.
3860	Department of Water Resources	Cyber Security: One position (State Water Project Funds) for cyber security for flood emergency response and the State Water Project.

3860	Department of Water Resources	Department Support: \$1,682,000 (various bond/special/existing/federal funds) and 18 new permanent full-time positions and four temporary help positions for Program 50, Management, and Administration (distributed overhead). Approval of this request would result in a net budget increase of only \$151,000.
3860	Department of Water Resources	Drinking Water Quality Pilot Projects: \$16.4 million from Proposition 50, Chapter 6 (b) and (c) to fund 2 existing positions (baseline) and 12 pending projects that are expected to be completed in FY 2008/09. The 12 projects are part of an effort to develop effective, efficient, and economical ways of removing drinking water contaminants.
3860	Department of Water Resources	CERS Reduction in Contracts: Three new positions to reduce California Energy Resources Scheduling (CERS) dependence on individual consultants.
3960	Department of Toxic Substances	BKK Facility Investigation and Field Oversight - \$547,000 (General Funds) for ongoing maintenance and emergency repairs at the of the BKK waste facility.
3960	Department of Toxic Substances	Model Plating Shop - \$117,000 (Special Funds) and one four year limited term position to continue the implementation of this program.
3960	Department of Toxic Substances	Enforcement of Polluter Pays and Fiscal Integrity - \$104,000 and one position to address delinquent accounts receivable collections for recovery from responsible parties.
3960	Department of Toxic Substances	AB 1106 (Huffman): \$433,000 (HWCA) and 3 positions to purchase and test lighting products for toxicity levels and options for disposal.

3720 – COASTAL COMMISSION

ISSUE 1: COASTAL COMMISSION FUNDING

Governor's Budget: In the Governor's budget, an augmentation of \$524,000 from expected increases in fee revenue is requested to support various baseline operating expenses and equipment costs at the commission.

Since the budget cuts of 2002-03, the commission has endured significant cuts in its funding and has avoided staff lay-offs by delaying operational expenses and cutting/shifting funds internally. The culmination of these actions has left the Commission without budgetary flexibility in their funding that is needed to protect core program funding from unavoidable operational cost increases such as rent, fuel, utility bills, etc.

This proposal from the Administration was an attempt to give the Commission some relief operationally using new revenue expected from recently approved Coastal Permit fee increases.

Trailer Bill Language: Currently fee revenue collected by the Commission is transferred to the Coastal Conservancy for the coastal access program. The Administration is requesting that trailer bill language be approved to give appropriation authority in the Coastal Access Fund for the Commission. Under the proposal, amounts appropriated from this fund will be determined by the annual budget process.

Budget Balancing Reductions. Following the development of this budget change proposal, the Administration's 10 percent across the board cuts equated to a reduction of \$1.2 million (General Fund) for the Commission. This subsequent proposal to cut Commission funding takes away the gains provided by the Administration's budget change proposal and would direct the cut further into their programmatic base and result in layoffs of approximately 14 positions.

Inadequate Permitting Service/Fee Increases: Resulting from the ongoing budgetary cuts and increases in housing, energy, desalinization permitting workload, the Commission permitting process is exceedingly delayed for the applicants that are paying service fees. At the urging of the Legislature, the Commission raised its fees (which were recently approved by the Administrative Office of Law) under the rationale that it would provide the public a faster and improved permitting process. It is anticipated by the Commission that these fee increases will generate about \$2.3 million in new revenues annually - an increase of 53 percent.

LAO recommendation. In their review of the budget, the LAO has made the recommendation that Legislature should reject the proposed BBR and that the Commission be fully funded through fee revenue and other non-general fund sources. In order to do so, they recommend that:

The Commission revise its fee schedule to fully fund its budget – LAO feels that fees should cover most permitting and enforcement costs at the commission.

The Legislature provide statutory authority to levy administrative penalties – Currently, the Commission does not have authority to levy administrative penalties to coastal permit violators and must go to the courts to receive and penalty revenue. Administrative penalty authority is common throughout regulating bodies. As a model, the San Francisco Bay Conservation Development Commission which serves and almost identical function to the Coastal Commission has administrative penalty authority and reports to staff that it enables them to avoid the costly process of moving small penalties through the courts and provides more transparent and consistent method of levying penalties for violators.

Creation of a special fund within the Coastal Commission's budget to deposit fees and penalties – Because permit fee revenue will be supporting a larger percentage of the commission's work, the LAO is recommending that the commission have a fund dedicated in to their budget to deposit fees and penalties. This recommendation differs from the Administration as it would create a new fund within the commission rather than using an existing fund at the Coastal Conservancy.

Eliminate revenue transfer to the Coastal Conservancy –The LAO recommends that the annual transfer of \$500,000 to the Coastal Conservancy be eliminated because the Conservancy's considerable receives considerable funds from bonds.

Local Coastal Plan Amendments: Along with the recommendations of the LAO, an additional option to raise revenue for the Legislature to consider would be to provide the Coastal Commission with authority to charge separate fees on projects, often larger controversial proposals that drive amendments to Local Coastal Plans. The Commission reports that these larger projects like big developments, energy facilities, etc, exhaust significant staff time because of their controversial nature and their workload costs are highly disproportionate to their permit costs. Conceptually under this proposal, fees would be directed to the project proponents and would not have a local government impact.

Staff Comments. As an ongoing issue, the Subcommittee has expressed strong concern of program delivery adequacy at the Commission. Reductions in program funding have resulted in sub par statewide Coastal Act enforcement and unreasonable delays in permitting times for applicants. Staff feels that the proposed cuts would severely limit the Commission's abilities to meet its basic mandates. The Legislature has continued to urge that the Commission use increased fee revenues to remedy this situation but with the Administration's BBR proposal before the committee, staff is concerned that the proposed cuts would push the Commission beyond the tipping point of being able to fulfill even the base goals of their mission.

To remedy this, the suite of options the Subcommittee could consider are:

- Adopt LAO recommendation to increase funding for the Commission from increased fee revenue. This recommendation could be adopted to replace some or all of the General Fund currently in the commission's base budget.
- Adopt the LAO recommendation to provide administrative penalty authority to the Commission to increase penalty revenue.
- Adopt the LAO recommendation to eliminate the transfer of funds from the Commission to the Conservancy.
- Give authority to appropriate to the Commission penalty revenue from court ordered fines that is currently deposited into the Violation Remediation Account at the SCC
- Give the Commission authority to levee fees on project driven local coastal plan amendments.

STAFF RECOMMENDATION: Currently, because staff is working on a compromise, staff recommends that this item remain open.

ISSUE 2: COASTAL EDUCATION FUNDING

Governor's Budget: The Administration is proposing an augmentation of \$284,000 from Whale Tail License plate revenues for grants to nonprofits and government agencies for coastal education programs.

The Commission conducts a wide variety of educational programs. The majority of these programs are funded through the Whale Tail License Plate funds and include: the Waves, Wetlands and Watersheds Science Activity Guide and teacher workshops; the on-line Watershed, Marine and Coastal Educational Resources Directory; the Coastal Art and Poetry Contest; the Adopt-a-Beach School Assembly Program and Ocean Day Kids' Cleanup; the upper Newport Bay Community Based Restoration and Education Program; the Coastal Stewardship Pledge education and photography contest.

Staff Comments. Staff does not have any concerns with this proposal, the expenditures proposed are consistent with prior program expenditures and the statutory requirements of the Whale Tail License Plate fund.

STAFF RECOMMENDATION: Approve as budgeted

3860 – DEPARTMENT OF WATER RESOURCES

ISSUE 1: FLOODSAFE CALIFORNIA

FloodSAFE California

Governor's Budget: The Governor's budget is requesting \$461 million and 14 new permanent positions and 1 new 4 year limited term position from Propositions 1E and 84 for a variety of ongoing and new flood protection programs under the Department's FloodSAFE program. Highlights of the FloodSAFE California include: Levee evaluations and repair in the Sacramento River, San Joaquin River and in the Delta; Floodway corridor programs; and emergency response plans for Delta Levee failures. The following are the seven program elements encompassed in their plan:

1: Make Urgent Repairs and Improvements to the State-Federal Flood Control System in the Central Valley. The Department is requesting \$170 million (Proposition 1E) to allow the Department to provide competitive grants to local agencies for flood control levee improvements. The Department will need to develop new criteria for the awarding of this funding but it plans on relying on the criteria approved for the Early Implementation Projects that were 2007-08 as a template.

2: Make Urgent Repairs and Improvements to the Flood Control System in the Delta. The Department is requesting \$67.5 million from Propositions 1E and 84 for the following:

-Programmatic Habitat Restoration (\$5.5 million) – Funding will design and implement environmental mitigation for Delta levee repair program.

-Delta Risk Management Strategy (DRMS) Concepts Augmentation (\$2 million) – Request will further study soil properties of levees in the Delta, Future Delta climatic conditions and Delta water quality.

-Delta Levee System Integrity (\$58 million) – Request will provide funding for repair and improvement of approximately 700 miles of levees in the Delta through the Delta Levees Maintenance Subventions program and the Delta Special Flood Control Projects Programs.

-Meins Landing Implementation (\$2 million) – Funding will be used to manage State land and implement restoration activities as Suisun Marsh.

3: Manage the State-Federal Flood Control System in the Central Valley.

The Department is requesting \$800,000 to support studies on erosion and sediment deposition in Sycamore Creek in Chico, California, resulting from the operation of the Sycamore Creek Diversion Channel. This funding will be one time.

4: Plan to meet Future Flood Management Needs.

No funding is requested for this portion of FloodSAFE at this time. A spring Finance letter is expected for this purpose.

5: Perform Engineering Evaluations and Assessments of the State Federal Flood Control System and the Delta.

The Department is requesting \$10 million for developing and updating hydrology and hydraulic information for use in the development and implementation of flood management projects, including: floodplain mapping; flood inundation modeling; improved river runoff forecasting; enhanced reservoir operation coordination; flood system and facilities evaluation; and evaluation emergency response needs.

6: Support Flood Management Programs Outside the State Federal Flood Control System.

The Department is requesting \$154.3 million (Prop 1E/84) for the following:

-Feasibility Study, Levee Evaluation, Regional Flood Management Planning Grants (\$30 million Prop 1E/84) – Requested funds would be used for local assistance in the form of Statewide competitive grants to allow local agencies to conduct the necessary evaluations and regional planning efforts to reduce future flood risk.

-Floodway Corridor Program (\$39.5 million Prop 1E) – Requested funds would allow the Department to manage the grant program, oversee disbursements of grant funds, monitor progress of the projects and provide accounting oversight and control of bond fund expenditures.

-Flood Protection Corridor Program (\$12.1 million Prop 84) – Requested funds would continue local assistance grant funds and program delivery for the program funded in 2007-08 funded by a \$24 million appropriation in the budget.

-Alluvial Fan Task Force Implementation (\$500,000 Prop 84) – Requested funds would implement findings of the 2007 Alluvial Fan Task Force Report to protect Southern California from Alluvial fan flooding.

7: Provide Emergency Preparedness and Flood Response.

The Department of Water Resources is requesting \$58 million (Prop 84) for the following:

-Enhance Flood response and Preparedness (\$3 million Prop 84) – The requested funds will be used to contract with NOAA for data collection activities and with consultants to develop protocols for coordinated local response plan development and training.

-Improve Readiness and Emergency Response – Major Delta Levee Failure (\$54 million Prop 84) – Requested funds will provide stockpiles of rock, sheet-piles, prefabricated river closure structures, among other traditional flood fighting for to provide quick deployment of flood protection response in the case of the failure of the Delta.

Staff Comments. In 2007-08, the Legislature approved nearly \$550 million from Propositions 1E and 84 to initiate the first year of the Department's FloodSAFE program. In the 2008-09 budget, the Administration is essentially proposing the second year of funding for the Floodsafe Expenditure plan that was approved in the Subcommittee in 2007-08. New major augmentation requests added to this plan are limited to a proposal to expend \$54 million (Proposition 84) to stockpile flood fighting supplies in the Delta in preparation of a potential collapse of Delta levees and the state's drinking water conveyance systems.

All of the funding requests in this proposal are consistent with the bond acts and staff is unaware of any major concerns with how funding has been spent in the current year. Staff does caution, however, moving forward at this time on approving these proposals as the Subcommittee has not yet considered the proposal by the LAO to potentially use the funding in Proposition 1E dedicated to Floodway Corridors as a substitute to fulfill the states required annual \$20 million contribution to the habitat Conservation Fund. This proposal will be heard with the Wildlife Conservation Board at a later hearing.

Additionally, the Department has yet to provide various reports related to this item that were requested in last year's budget and staff recommends that this issue stay open until those reports have been submitted.

STAFF RECOMMENDATION: Hold Open

ISSUE 2: LAO RECOMMENDATION: GENERAL FUND SAVINGS FROM COLORADO RIVER MANAGEMENT PROPOSAL

Governor's Budget: The department proposes to spend \$13.5 million from the General Fund to complete the state's General Fund commitment to the Quantification Settlement Agreement (QSA). Of the \$13.5 million, \$11.2 million is proposed for a project to increase storage through "conjunctive use," that is, a combination of groundwater and surface water storage management. The remaining \$2.3 million is proposed to be expended on lining the All American Canal to prevent water seeping through the base of the canal and being lost for use among downstream water rights holders. (The All American Canal brings Colorado River water to the Imperial Valley, feeding into multiple regional water distribution systems.)

State Obligated to Fund Local Assistance for Colorado River Management. As part of the agreement to reduce Colorado River water use, the law implementing the QSA requires the state to provide \$235 million in General Fund to finance California Plan projects. Legislation enacted in 1998 provided these funds as a continuous appropriation; \$13.5 million of the appropriation remains available for expenditure in the budget year. In addition to the General Fund appropriation, subsequent bond funds have been made available for specified projects to cover increasing construction costs.

Bond Funds Eligible, Available. The LAO found that there are sufficient bond funds available that can be used instead of the General Fund for both the lining of the canal and the conjunctive use project. Funds from Proposition 84 are available for projects to increase water supply reliability and for integrated regional water management, of which conjunctive use and the lining of the All American Canal are eligible project types.

Shift Final \$13.5 Million Payment from General Fund to Bond Funds. Current law requires that the General Fund be used to meet the QSA obligations. The LAO recommends that legislation be enacted to allow bond funds to replace the General Fund, while holding the QSA and California Plan whole, to complete California's obligation to reduce its water use from the Colorado River. Implementation of this recommendation would result in General Fund savings of \$13.5 million, without negative impact to the proposed projects.

Staff Comments. To achieve the savings proposed by the LAO, the Legislature would have to transfer funds from the statewide allocation of proposition 84 Integrated Regional Water Management funds for the purposes of completing the lining of the all American Canal. Staff is supportive of this transfer of bond funds to this program as the General Fund savings could help offset other reductions made in the budget balancing reductions.

STAFF RECOMMENDATION: Approve budget change proposal with amendment that it be funded from Proposition 84 Statewide IRWM funds in place of General Funds.

ISSUE 3: BAY DELTA CONSERVATION PLAN: ALTERNATIVE DELTA CONVEYANCE STUDIES

Bay Delta Conservation Plan (BDCP): DWR has initiated the public process to study the environmental impacts of the Bay Delta Conservation Plan. DWR will prepare a joint Environmental Impact Report/Statement for BDCP in cooperation with the federal lead agencies.

The BDCP's purpose is to provide for the conservation of at-risk species in the Delta and improve the reliability of the water supply system within a stable regulatory framework. The process is being conducted consistent with state and federal laws that encourage the development of broad habitat conservation plans that protect natural communities in exchange for regulatory assurances.

DWR will serve as the lead agency under California Environmental Quality Act for the environmental studies. The National Marine Fishery Service, U.S. Fish and Wildlife Service and the U.S. Bureau of Reclamation will be the federal lead, co-lead or cooperating agencies.

Governors January 10 Proposal: In January the Governor released a proposal to fund eight full time positions funded from State Water Project Funds to begin the Environmental Impact Report/Environmental Impact Statement for a potential alternative conveyance facility in the Delta.

In response to crashing ecosystems in the Delta, the State has been supporting various Delta-related planning efforts including the Delta Vision Task force that have all agreed that current water conveyance in the Delta is not sustainable from either an environmental or water supply perspective. As recommended by the Delta Vision, this proposal would provide staff augmentations to manage technical studies to begin studying alternatives available for improving the Delta water conveyance systems by looking at the following:

- The possibility of no new Delta conveyance facility;
- The possibility of a dual conveyance facility, as suggested by the Task Force;
- The possibility of an isolated facility;
- The possibility of substantial improvements and protections of the existing water export system, most often referred to as 'armoring the Delta' or a "through-Delta" solution.

Knowledge gained from this process will be integrated into the ongoing public Bay Delta Conservation Plan (BDCP) discussions between State and Delta stakeholders. Ultimately, it is the goal of the BDCP that an overarching habitat conservation plan agreement on the Delta be achieved that will provide regulatory assurances for water exports in exchange for aquatic and terrestrial environmental mitigation and enhancement that are above and beyond the requirements of CEQA and NEPA.

Staff Comments. Staff agrees with the Department that if the State wants to develop a comprehensive plan to protect the health of the Delta ecosystems and insure secure

statewide water deliveries, it needs to begin conducting the technical studies of improvements/alternatives to the current approach of moving water through the Delta.

In discussions with staff, the Department has stated that it is intended that the final decision of whether or not to begin construction of an alternative conveyance facility will be concluded through the public BDCP process. Additionally, according to DWR staff this proposal does not provide any new authorization to the Department to build a peripheral canal. Because this issue of what level of authority the Department has to physically construct an Alternative Conveyance structure has been a central issue of importance for the Legislature, when action is taken on this issue, the subcommittee may wish to approve these positions on a 4-year limited term basis and restrict their workload to the completion of related CEQA and NEPA documents. Presently, however, staff recommends that this item remain open until various late reports are provided by the legislature that relate to this issue.

STAFF RECOMMENDATION. Hold open

ISSUE 4: INTEGRATED REGIONAL WATER MANAGEMENT PROGRAM (IRWM)

Governor's Budget: The Governor's budget is requesting \$1.3 billion over 9 years, \$965 million from Proposition 84 for IRWM grants and \$289.5 million from Proposition 1E for stormwater grants, and \$6.5 million in Proposition 50. This proposal will include a total of 31.5 positions (13 new and 18.5 redirected) for support of the program. In General, this proposal would fund the Department's effort to complete its guidelines for the IRWM program and use them to begin awarding the various planning, project and technical assistance grants that were contained in the proposition.

The intent of the IRWM program is to encourage integrated regional strategies for management of water resources and to provide funding, through competitive grants, for projects that protect communities from drought, protect and improve water quality, and improve local water security by reducing dependence on imported water. Proposition 84 allocated roughly \$1 billion for the Department of Water Resources to administer through the program. Proposition 84 designates 11 different regions statewide that will be used to distribute these competitive grants. Using these designations, the department will determine through their regulation making process how integrated regional boundaries are drawn and what criteria will be used to award IRWM Grants.

Below is a breakout of the different grants that will be administered as part of the IRWM program:

Component 1: Regional Funds (\$823 million Local Assistance/\$307 million FY 2008-09)

- **Proposition 84 IRWM Implementation Grants** - \$808.5 million (\$300 million in FY 2008-09) for grants allocated to 11 regions of the state identified in the proposition for regional projects that improve water quality, restore and protect the environment, and promote regional self-sufficiency.
- **Regional Planning Grants** - \$15 million in 2008-09 for grants to help communities develop IRWM proposals.

Component 2: Interregional Funds (\$91.5 million Total/\$32 million in FY 2008-09)

- **Planning Grants** – \$10 million from Interregional Funds to augment planning grant program from component.
- **Planning Grants for Disadvantaged Communities:** \$5 million would be dedicated to the participation of disadvantaged communities
- **Local Groundwater Management Grants** - \$18 million (\$4.5 million 2008-09) in grants to install monitoring wells, conduct hydrogeologic studies of groundwater basins, and conduct other studies in accordance with the Local Groundwater Assistance Act.
- **Directed Actions to Projects with Inter-Regional and Statewide Benefits** - \$40.5 million (9.5 million in FY 2008-09) for grants to promote interregional linkages or provide broad public benefits. DWR will allocate \$10 million to water management projects that directly effect disadvantaged communities.

- **Directed Actions to projects for Disadvantaged Communities:** \$10 million/\$2.5 million in FY 2008-09.
- **CALFED Scientific Research Grants** - \$8 million to support CALFED science program grants in FY 2008-09.

Component 3: Program Delivery

- \$50 million in State operations funding over 9 years for program delivery efforts and bond accountability reporting and tracking effort. This funding will be used to process grant solicitations, reviews, awards, and management; data management, dissemination, and analysis; technical assistance and coordination; bond accountability tracking and reporting.

Proposition 1E Stormwater Flood Management Grants –

- **Local Assistance** - \$274.5 (\$100 million in FY 2008-09) for grants for stormwater flood projects that are designed to manage stormwater runoff in order to reduce flood damage and where feasible provide other benefits including groundwater recharge, water quality and ecosystem restoration.
- **Program Delivery** - \$15 million over 9 years will be allocated to program delivery efforts and bond accountability reporting and tracking.

Proposition 50 – Fund shift from Local Groundwater Assistance Grants

- **Fund Shift** - \$6.4 million fund redirection from the Proposition Drought Program for Ground Water Assistance to the Prop 50 IRWM grant program. These funds will be used to augment awards in the Prop 50 IRWM program that was oversubscribed by approximately \$200 million in the last round of grant applications.

LAO Recommendations

Recommend Funding Guideline Preparation, Deny Implementation Funds. The LAO thinks the Department should move forward with its efforts to implement the bond-funded IRWM program by establishing guidelines necessary for awarding grants, and submitting these guidelines for legislative review. The guidelines should address funding eligibility criteria for awarding both competitive grants within the regions and allocations from the statewide pot. The department should also provide an updated timeline for spending the IRWM bond funds. Accordingly, the LAO recommends the Legislature only approve at this time funding required to complete the IRWM guidelines, which as indicated by the department, should total \$2.5 million. Upon receipt of these guidelines, the Legislature will be in a position to consider how and when the bond funding should be appropriated to the department for local assistance grants, and provide any policy direction that it deems necessary in legislation. The LAO therefore recommends denying most of the IRWM funding request (including the proposed funding shift from Proposition 50) until these guidelines are received and reviewed by the Legislature and required legislative policy direction is provided.

Staff Comments. In Last year's budget process, the Governor proposed a similar budget change proposal for IRWM program development and grant delivery. The Subcommittee approved this proposal but in Conference Committee, funding for the program was placed into SB 1002 (Perata) that dealt with various water issues. This bill, and subsequent bills with IRWM funding have yet to be approved by the Legislature and to date and guidelines for the program have also not been completed.

There is significant interest from local agencies that guidelines for the IRWM program be developed and planning and project grant funds be awarded expeditiously. For the hearing, the Department should be prepared to walk through their expected timeline for the process of completing the guidelines, awarding the planning grants and finally awarding the regional and statewide grants. Additionally, the Department intends to use this program in shaping how the State's water systems can be designed to reduce greenhouse gas emissions locally.

STAFF RECOMMENDATION: Hold Open

ISSUE 5: PROPOSITION 84: MULTI-BENEFIT PLANNING AND FEASIBILITY STUDIES

The Governor's budget is proposing \$61.7 million from Proposition 84 to be appropriated over 5 years and 22.8 positions in fiscal year 2007/08 to develop and support DWR's program activities for integrated multi-benefit planning and feasibility studies related to California's future water needs. This proposal is broken into 6 components:

1. **Climate Change Evaluation and Adaptation. \$21 million total/\$2 million in 2008-09.** Over five years, DWR will conduct detailed evaluations of projected climate change impacts on the state's water supply and flood control systems, and identify potential system redesign alternatives that would improve adaptability and public benefits (this proposal will be discussed in a separate Climate Change hearing).
2. **Promotion of Urban and Agricultural Water Conservation. \$6.4 million total/\$1.8 million 2008-09.** Over five years, DWR will study conservation strategies, develop best management practices for irrigation operations, and provide technical services for agricultural and urban water conservation such as the California Irrigation Management System (CIMIS).
3. **Completion of CALFED Surface Storage Studies. \$12.0 million over two years.**
4. **Integration of Flood Management and Water Supply Systems. \$5.2 million/\$1.3 million in 2008-09.** Over five years, DWR will conduct studies to evaluate fish, wildlife, and habitat components as part of the integration of flood management, water supply reliability, and water quality from a watershed perspective.
5. **Implementation of California Water Plan Recommendations.** \$15.0 million with 1 new position and 15 redirected positions. Over five years, DWR will improve stakeholder collaboration; implement regional planning outreach, coordination an inventory of water data and needs; assess progress in Integrated Regional Water Management planning and implementation; and improve environmental water use methodology for presentation in future California Water Plan update reports. This proposal also includes funding for a new Water Plan Information Exchange that will make water information data among state, federal, local, and public stakeholders.
6. **Develop Delta Visio. \$2 million and Redirection of 2 Existing Positions.** Support ongoing efforts to develop a plan for sustainable management of the Sacramento-San Joaquin Delta.

Surface Storage Studies: The Governor's budget proposes \$15.8 million (\$3.76 million in Proposition 50 and \$12 million from Proposition 84) over two-years to complete feasibility studies and environmental documentation for three potential surface storage projects (North of Delta, Los Vaqueros, and Upper San Joaquin).

To date, the state has invested over \$62 million into the CALFED program on surface water storage studies. According to the administration, the Governor's budget would move the state forward on completing the three identified surface storage studies by the end of 2009-10.

LAO Comments. In their analysis of the budget, the LAO has raised concerns that the state will not be able to complete the proposed feasibility studies until local and federal beneficiaries are identified and their commitment to funding these projects is clearly demonstrated. Since the Governor's budget proposal does not include any cost share with locals or federal entities, the LAO is recommending that the funding request be rejected.

Staff Comments. With the majority of these proposed Proposition 84 expenditures, staff does not have any concerns. While it is included in this budget change proposal, the staffing and resources for Climate Change actions will be discussed at a later date with other Climate Change Related proposals. Staff feels that these efforts are important to meet the statewide challenges of increasing water conservation, finding solutions for the Delta, and adapting to California's future water plan.

At the hearing, however, the Department should be prepared to address the concerns raised by the LAO related to surface storage. It is noted by staff that both Propositions 50 and 84 allocated funding directly for the purpose completing feasibility studies for CALFED surface storage projects and staff has concerns that by withholding these funds, the questions of technical feasibility and financial commitment by those who benefit from the projects will not be answered until this stage of the process is concluded.

STAFF RECOMMENDATION. Hold Open until the Climate Change proposal is heard in subcommittee.

ISSUE 6: SAN JOAQUIN RIVER RESTORATION REIMBURSABLE AUTHORITY

Governor's Budget: This is a request for \$9,579,000 of State reimbursable authority in FY 2008-09 and two new permanent, full-time Engineer, WR positions to replace two existing, limited-term Engineer, WR positions created with Proposition 13 funding for the program. This authority will be used to help implement a court settlement agreement to restore flows and naturally-reproducing and self-sustaining populations of salmon to the San Joaquin River between Friant Dam and the Merced River.

Staff Comments. In the Governor's budget, budget bill language was included in this appropriation and the appropriations in the Resources Agency and Department of Fish and Game's budgets that restrict the expenditure of funds for this program until the passage of Federal Legislation authorizing the S.J River Settlement agreement. Concern has been raised by the parties of the agreement that this language will delay much needed work and does not accurately reflect the fact that though the Federal Government has not yet approved authorizing legislation, they have been an ongoing fiscal partner in the implementation of the settlement.

Alternative Budget Bill Language: Participants in the settlement have approached staff with the following potential budget bill language alternative that would tie the expenditure of state funds to the continued participation and appropriation of funds by the federal government.

Expenditure of such funds shall continue so long as the US Bureau of Reclamation continues to provide federal funds and continues to carry out federal actions to implement the Settlement."

STAFF RECOMMENDATION: Hold issue open for staff to consider potential alternatives to the Budget Bill Language.

3960 – DEPARTMENT OF TOXIC SUBSTANCES

ISSUE 1: GREEN CHEMISTRY AND POLLUTION PREVENTION

Governor's Budget: The Governor's budget is proposing and augmentation of \$772,000 (Special Fund) to Expand the existing Green Chemistry and Pollution Prevention program to work with six industry sectors rather than two industries every two years to identify and develop source and pollution reduction strategies, education and technical assistance and measure the effectiveness of implementing the program.

Background: The Green Chemistry Initiative is a collaborative approach for identifying options to reduce the impacts of toxic chemicals on public health and the environment. The Green Chemistry initiative is intended to provide recommendations for:

- Developing a consistent means for evaluating risk
- Reducing exposure
- Encouraging less-toxic industrial processes
- Identifying safer, non chemical alternatives

Staff Comments. The Green Chemistry program takes the approach of working with industry to develop technical solutions that can be integrated into production in order to reduce the toxicity of products produced. This cooperative approach requires extensive statewide and national stakeholder outreach. At the hearing, the subcommittee may want to have the Department give a progress report of this fairly new program, the willingness to participate by stakeholders and examples of achievements to date.

Staff Recommendation: Approve as budgeted

ISSUE 2: LITIGATION SUPPORT

Governor's Budget: The Governor's budget is proposing two items:

DOJ Support Augmentation: An augmentation of \$2.1 million (HWCA/TSCA) for DOJ litigation support increases for cost recovery and enforcement.

Trailer Bill: to change statute in the Hazardous Waste Control Account and the Toxic Substance Control Account in order to allow the Department to enter into an agreement with the Department of Justice to provide litigation support for DTSC cost recovery and enforcement. Currently, the DOJ has to get a direct appropriation in order to provide this support and as an outcome, DTSC states that it then loses the ability to manage those cases and exercise its fiduciary responsibilities for the special accounts.

Staff Comments. Staff has no issues with the proposal.

STAFF RECOMMENDATIONS: Approve as budgeted

ISSUE 3: STRINGFELLOW CAP OUTLAY

Governor's Budget: The Governor's budget is proposing \$3.2 million (General Fund) to fund the working drawing activities for the construction of a new pretreatment plant to treat contaminated groundwater from the Stringfellow Hazardous Waste Site.

This proposal is part of a larger DTSC capital outlay proposal to construct a new Pretreatment Plant at the Stringfellow Hazardous Waste Site. The BPTB would replace the existing pretreatment plant, which was constructed in 1985 as an interim treatment facility, with an intended life of between three and five years. The proposed plant would be used to pretreat contaminated groundwater before it is discharged into the industrial sewer, which is essential to meet effluent quality standards and land disposal restrictions.

Staff Comments. Staff has no issues with this proposal since the state is responsible for the remediation of this hazardous waste facility. At the hearing, because it is funded through General Funds, DTSC and Finance may want to discuss if there are any other options, such as bond funds, to fund this BCP.

STAFF RECOMMENDATION. Approve as budgeted

8570 – DEPARTMENT OF FOOD AND AGRICULTURE

ISSUE 1: ANIMAL HEALTH AND FOOD SAFETY SERVICES BUDGET BALANCING REDUCTIONS

Budget Balancing Reduction Proposal: Under direction of the 10 percent across the board reductions, the Department is proposing to cut \$1.3 million (General Fund) from the Animal Health and Food Safety Services Program. Under this cut, the Department reports that programs with the most direct relationship to public health such as food inspection at federally exempt slaughter facilities selling products directly to the public and milk inspection and testing were retained. The reductions to programs intended to prevent, detect and control catastrophic animal diseases that also have human health impacts, like TB and Bird Flu, were also protected. The following reductions are proposed to programs with lesser public health consequence or to programs that could be partially shifted to local agencies or federal agencies.

Animal Health Branch:

- **Biologics Regulation** - Abolishment of the California Biologics Program will end the production of State-licensed biologic products like animal vaccines that can be used only within California. The USDA has agreed to facilitate the shifting of all State licensed products into their purview.
- **National Animal Health Reporting System** - California's participation in the National Animal Health reporting system will be eliminated. While disease of greatest concern to the State will continue to trigger immediate notification, lack of participation in this national initiative will reduce animal health officials' knowledge of more subtle disease trends. It is anticipated that the animal disease data management system currently under development at CDFA (e.g., Emerging Threats IT Project) will fill in this gap by 2009 or 2010.
- **Johne's Disease Control Program** - California participates in the national Johne's Disease (JD) control program. JD is a bacterial disease in cattle that causes chronic wasting (poor health and low productivity). It has been suggested to be the causative agent of Crohne's disease in humans. USDA has historically provided funding to cooperating states in an effort to reduce the prevalence of this disease and may discontinue that funding (\$50,000 to \$100,000 per year) if CDFA does not act in kind. CDFA will make every attempt to continue to secure continued USDA support.
- **Animal Care Specialist** - Eliminating CDFA's Animal Care specialist program will eliminate the only source of State regulatory expertise related to humane and proper treatment of domestic farm animals through science-based animal care methods and practices. CDFA will refer future animal care questions to university animal husbandry experts.

California Meat Inspection Branch:

- ***Pet Food Meat Processing Inspection*** - CDFA's core mission is to ensure that unfit meat does not go into human food. A secondary goal is to reduce contamination of pet food, including from animals that died of diseases. While CDFA inspects meat processing intended for pet food, the Department of Public Health inspects pet food manufactures. While concerns about this area of oversight continue, CDFA's meat inspection programs for human consumption have a higher food safety and public health priority.
- ***Rendering Inspection and Meat Processing Investigation*** - The resources specific to rendering inspection and illegal meat processing investigation will be reduced. While CDFA recognizes the critical importance of maintaining sufficient rendering capacity to safely dispose of animal products, CDFA's other meat inspection and field investigation activities involve food going directly to the public for consumption, making any reduced oversight a significant risk to public health. As a result of the proposed reduction, CDFA will conduct targeted facility inspection and participate in cooperative efforts like the current animal disposal working group to ensure rendering issues are recognized.

Milk and Dairy Food Safety Branch:

- ***Field Investigative Unit*** - This reduction will result in the elimination of one of three field investigators in the Milk and Dairy Food Safety Investigative Services Unit. Current program activities are directed at the unlicensed manufacture, distribution and importation of illegal, and often adulterated, dairy products. These investigators cover the entire State and currently arrest approximately two people per month for illegal distribution and sales, seizing adulterated dairy products that would otherwise reach the consuming public. Because such products are well-documented public health risks and have resulted in food borne illness outbreaks affecting California consumers, every effort will be made to concentrate remaining investigative efforts in high risk areas of concern.

Staff Comments. When previously hearing this item, the subcommittee had strong concerns with these cuts because of their potential to put tremendous public health and safety risks on the state. Taking into account that the Department made their best effort to distribute these cuts throughout this program in a manner that had the least harmful impacts on public health and safety, staff continues to feel that this proposal exposes the State to significant risk and liability if approved.

STAFF RECOMMENDATION: Reject budget Balancing Reduction

ISSUE 2: PRIVATE VEHICLE INSPECTIONS AT BORDER STATIONS

Governor's Budget: The Governor's budget is requesting an augmentation of \$7.1 million from the Motor Vehicle Account, a General Fund redirection of \$407,000 and an increase of 120 positions (51 permanent/69 temporary) in order to open and operate all 16 Border Protection Stations on a full time basis for private vehicle inspections entering California. This proposal also includes

Background: In the Fiscal Year 2006-07, the Department of Food and Agriculture was allocated funding to initiate a two-year vehicle inspection pilot project at the Needles Border Station. Through its inspections, the Department reports that it found invasive pest species entering the state at rates of up to 12 times each day to assess the pest introduction risk presented. The table below compares data collected to the same period in 2002-03, when vehicles were last inspected:

	2002-03	2006-07	% increase	Estimated 2006 Statewide
Total Private Vehicles	1,172,094	1,238,021	5.62%	28,185,036
Lots of Rejected Material	9,488	13,230	39.44%	89,017
Significant Pest Interception	143	679	373.83	4,569
Different Pest Species Intercepted	59	153	159.32%	231

Staff Comments. Staff does not have any concerns with this proposal as the pilot project in Needles has demonstrated a clear need for increased border inspections of private vehicles. This need is additionally demonstrated by the States current infestation of the Quagga and Zebra mussels that are thought to have been introduced by recreational boats from out of state. Lastly staff notes that this proposal does not require a general fund augmentation but is does maintain \$407,000 in General Fund support for the program. Since the majority of this program is dependent on Motor Vehicle Account funds, the Department of Finance should be prepared to comment whether there are there opportunities to shift more costs of this program From the General Fund to the Motor Vehicle Fund.

STAFF RECOMMENDATION: Approve as budgeted

ISSUE 3: LIGHT BROWN APPLE MOTH POSITION AUTHORITY

Governor's Budget: The Governor's budget is requesting 18 new positions to provide support staffing and logistical support for the Light Brown Apple Moth (LBAM) Eradication Program. These positions would be funded from a \$2.0 million (General Fund) baseline augmentation provided in the 2007-08 for the Department for the LBAM program.

Background: The LBAM is an exotic pest that feeds on nearly all types of fruit crops, ornamentals, vegetables, and nursery stock. The LBAM is native to Australia, but has successfully invaded New Zealand, New Caledonia, Hawaii, and the British Isles. The first recorded detection of the LBAM in North America was in Berkeley, California in February 2007. Following this detection, the Department has identified LBAM presence throughout the Bay Area and is conducting a program to eradicate it in 11 counties. Federally, the LBAM is listed as a high threat level quarantine species because of its potential to damage agricultural crops and related economic damages caused by potential export restrictions of California agriculture due to its presence.

Eradication Measures: The Department's eradication program for LBAM consists of two principle treatment methods:

Aerial Spraying: Airborne application of a synthetic pheromone intended to reduce LBAM populations by confuse male LBAM.

Twist Ties: Using the same mating confusion method as the aerial spraying, the twist ties are applied directly to trees in the field and contain synthetic pheromones as well.

Lastly, the Department plans on developing a program similar to the State's ongoing sterile med fly program that would controls LBAM populations by releasing sterile moths into affected areas. Currently, the department is working to develop the capacity rear sterile moths for this purpose.

Staff Comments. Legislators whose districts are affected by the aerial spraying program have been very public about their concerns with this program. Legislative actions related to these concerns are being pursued currently through the policy bill process. While the workload data that the Department has provided shows these positions will be largely responsible for managing the twist tie program, rather than the aerial spraying program, staff recommends that the subcommittee hold this item open until larger concerns about this program are resolved.

STAFF RECOMMENDATION: Hold open