

AGENDA**ASSEMBLY BUDGET SUBCOMMITTEE NO. 3
NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION****Assemblymember Ira Ruskin, Chair****WEDNESDAY, APRIL 30TH, 2008
STATE CAPITOL, ROOM 447
9:00A.M.**

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3900 – AIR RESOURCES BOARD / 0555 – SECRETARY FOR CALEPA

ISSUE 1: CURRENT YEAR ACTIVITIES

In 2006, the Legislature enacted AB 32 (Núñez)—The Global Warming Solutions Act of 2006. The Act establishes the goal of reducing, by 2020, the state’s emission of greenhouse gases (GHGs) to what those emissions were in 1990. The act designates ARB as the sole state agency responsible for monitoring and regulating sources of GHG emissions and requires ARB to coordinate with other state agencies and stakeholders involved in implementing AB 32 (Núñez). The act also calls for the Climate Action Team—the multiagency body established in 2005 by executive order and led by the Secretary for Environmental Protection—to continue its coordination of overall climate policy.

In addition, the Act establishes a time line by which ARB is to have taken specific actions. Significant among the actions included in that timeline are the requirements that ARB:

- Adopt regulations by January 1, 2008, to require reporting and verification of statewide GHG emissions.
- Adopt regulations, to be enforced by January 1, 2010, to implement “early action measures” to reduce GHG emissions.
- Adopt additional regulations, effective January 1, 2012, to achieve the GHG emissions reductions goals established by AB 32.

The Act also specified numerous criteria that ARB’s GHG emissions reduction regulatory measures must meet, including cost-effectiveness and technological feasibility.

Statewide Crosscut Budget for AB 32 (Núñez). Combined, as displayed below, the 2007-08 approved budget and the proposed 2009-09 budget would fund AB implementation efforts with \$55.5 million and 211 positions.

AB 32 - Climate Change Resources across State Departments - 2008-09 Governor's Budget				
Organization	Funding Level	Fund Source	Positions	Personnel Years
Secretary for Resources				
Base Funding: None	\$0	N/A	0.0	0
2008-09 BCP (GHG Mitigation CEQA Guidelines in coord. w/OPR) GF	\$177	GF	1.3	1.3
Total: Resources Agency	\$177		1.3	1.3
Cal-EPA Secretary				
Base Funding: Program oversight and public education (GF/MVA/APCF)	\$1,658	GF/MVA/APCF	6.0	5.7
2008-09 BCPs (none)	0	N/A	0.0	0
Total - Cal-EPA:	\$1,658		6.0	5.7
Office of Planning and Research				
Base Funding:	\$0	N/A	0.0	0.0
2008-09 BCP (GHG Mitigation CEQA Guidelines in coord. w/Res. Agency) One-Time	\$537	GF	4.0	3.8
Total: OPR	\$537		4.0	3.8
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Organization	Funding Level	Fund Source	Positions	Personnel Years
Department of General Services				
Base Funding: Sustainability and Green Buildings	\$2,846	SRF-Reimb.	5.0	4.7
2008-09 BCPs (none)	0	N/A	0.0	0
Total -DGS:	\$2,846		5.0	4.7
Air Resources Board				
Base Funding: Climate Change	\$23,696	APCF	125.0	102.5
Full-year implementation of 2007-08 BCP position phase-in*	\$1,268	APCF	0.0	17.2
2008-09 BCP (Early Action Measures and fee mechanism devel.)	\$5,579	APCF	27.0	25.8
Total -ARB:	\$30,543		152.0	145.5
Energy Commission				
Base Funding : Energy sector analyses	\$610	ERPA	5.0	4.8
No 2008-09 BCPs	\$0	N/A	0.0	0.0
Total - CEC:	\$610		5.0	4.8
Public Utilities Commission				
Base Funding : Climate Change Contracts (\$500K one-time in 07-08) at BA**	\$0	N/A	0.0	0.0
AB 32 activities - Division of Ratepayer Advocates	102	PUCRRA	1.0	0.9
Total- PUC:	\$102		1.0	0.9
State Water Resources Control Board				
Base Funding : None	\$0	N/A	0.0	0.0
2008-09 BCP Climate Action Team workload	\$428	WDPF	4.0	3.8
Total - SWRCB:	\$428		4.0	3.8
Department of Food and Agriculture				
Base Funding : Implement CAT Strategies at BA	\$331	DAA/DFAF	2.0	1.9
No 2008-09 BCPs	0	N/A	0.0	0
Total - CDFA*:	\$331		2.0	1.9
Department of Water Resources				
Base Funding : None	\$0	N/A	0.0	0.0
2008-09 BCP Climate change activities	\$2,000	P84	10.0	9.5
Total - DWR:	\$2,000		10.0	9.5
Department of Forestry and Fire Protection				
Base Funding : Ongoing Climate Change Forestry Efforts	\$1,454	P84	8.0	7.5
2008-09 BCPs - Forestry Efforts/ Urban Greening	\$9,783	P84	13.0	12.1
Total - Forestry:	\$11,237		21.0	19.6
University of California				
Base Funding : None	\$0	N/A	0.0	0.0
2008-09 BCP Institute of Transportation Studies (ITS)	\$5,000	PTA, STF	0.0	0.0
Total - UC	\$5,000		0.0	0.0
Overall Total:	\$55,469		211.3	201.5
2007 BA - subtotal	\$30,595		151.0	127.1
2008-09 BCPs - subtotal	\$24,874		60.3	74.4

* Note: PY count for 2008-09 BCPs total includes 17.2 PYs associated with full-year phase-in of 2007-08 ARB BCP positions for AB 32. (Net count without this adjustment is 52.1 PYs.)

** One-Time

Current Year Activities. In the 2007-08 Budget, a total of \$30.5 million and 151 positions were approved to begin implementation of the various mandates in AB 32 (Núñez). As the implementing entity for the Act, the majority of these positions were allocated to the Air Resources Board (\$23 million/125 positions) to initiate multiple parallel public processes to develop the different components the Scoping Plan. Through the scoping plan, the ARB will approve the initial statewide strategy to reach GHG reduction goals for 2020 and 2040 and a funding plan for the program. Once the scoping plan is adopted, the ARB is required to conduct a review of the Plan at least once every 5 years in order to incorporate, among other things, information on the efficacy of existing actions, potential new strategies to be taken, and consequences of actions taken. The ARB anticipates that it will be releasing the Draft scoping plan in June 2008. Once released, the plan will be open for public review through the regular ARB hearing process and will be up for consideration by the Board in November 2008.

Staff Comments. At the hearing, the Air Resources Board and the California Environmental Protection Agency should be prepared to present to the Subcommittee a status report on all activities the ARB has been engaged in the current year related to GHG reductions and AB 32 implementation with additional emphasis on the following issues:

- **Early Action Measures:** Please provide an update of early action measure implementation.
- **Environmental Justice:** Please discuss how concerns of underserved disadvantaged communities are incorporated into the scoping plan decision making process.
- **Climate Action Team:** Please discuss current year activities of the Climate Action Team including subgroup achievements, frequency of meetings, and scope of participation by other state entities.
- **Greenhouse Gas Report Card:** Overview on the 2007-08 Greenhouse Gas Report Card that was statutorily required by the 2007-08 budget. The California Environmental Protection Agency (Cal/EPA) is required to prepare a greenhouse gas emission reduction report card and publish it on its website that describes state agency actions to reduce greenhouse gas (GHG) emissions and timetables for the adoption of any additional measures needed to meet GHG emission reduction targets.
- **Long Term Funding Plan:** The Governor's budget is proposing to use a loan from the California Beverage Container Recycling Fund to support baseline funding for AB 32 (Núñez) implementation. The ARB cites that the Scoping Plan when adopted will be the vehicle to approve a sustainable funding plan. In their analysis, the LAO has raised concern with the fact that the ARB has not proposed a detailed long term funding plan for the implementation of AB 32 (Núñez) when there is existing data on who primary GHG emitters are in the State. At the hearing, the ARB should be prepared to update the Subcommittee on its ongoing activities and expected timeline to decide upon and implement a long-term sustainable funding plan.

ISSUE 2: AIR RESOURCES BOARD AB 32 (NÚÑEZ) BUDGET CHANGE PROPOSAL

The Governor's budget is requesting 27 positions and \$5.6 million (Air Pollution Control Fund) in 2008-09 to implement the following AB 32 (Núñez) implementation measures:

- 1. Low Carbon Fuel Standard (20 positions and \$1.8 million contracting/Equipment).** Executive Order S-1-07, the Low Carbon Fuel Standard (LCFS) (issued on January 18, 2007), calls for a reduction of at least 10 percent in the carbon intensity of California's transportation fuels by 2020. It instructs the California Environmental Protection Agency to coordinate activities between the University of California, the California Energy Commission, and other state agencies to develop and propose a draft compliance schedule to meet the 2020 target. Furthermore, it directs the ARB to consider initiating a regulatory proceeding to establish and implement the LCFS. In response, ARB identified the LCFS as an early action item with a regulation to be adopted and implemented by 2010.

The Governor's budget proposal will fund a wide range of activities to implement the LCFS that include:

- Evaluation of GHG and particulate emission impacts of an increasing use of diesel statewide.
 - Conduct lifecycle analysis of carbon intensity of fuel components.
 - Implementation of the LCFS market program.
 - Assessment of sustainability issues for increased use of biofuels.
 - Increased testing of low carbon fuels and vehicles.
- 2. Develop Other Emission Reduction Measures (5 positions).** Staffing requested will be used to expand GHG reduction strategies with cars and light trucks and industrial sources.
 - 3. Ensuring Long Term Funding through Emission Fees (2 positions).** AB 32 (Núñez) authorizes the ARB to adopt fees to fund the implementation of the legislation. The ARB anticipates that following the adoption of the Scoping plan, by 2010-11 the ARB would be able to develop, adopt, and begin implementation of a fee regulation. The requested positions will be used to develop a fee proposal that will be submitted to the Board for review.

Staff Comments. When implementing the LCFS, the ARB will be funding staff to evaluate the sustainability aspects of increased biofuels use in the state's fuel supplies. Staff notes the importance of this analysis because of the magnitude of impacts that the state's consumptive power will have on global fuel and food markets with the implementation of the LCFS. At the hearing, the ARB should provide the Subcommittee a detailed briefing on how it will define what a "sustainable" LCFS is and how recent issues related to the effects that the world's demand for biofuels are having on world food supplies, land use, and deforestation will be integrated into the LCFS program.

STAFF RECOMMENDATION: Approve as budgeted.

6440 – UNIVERSITY OF CALIFORNIA

ISSUE 1: INSTITUTE FOR TRANSPORTATION STUDIES

The University of California maintains an Institute for Transportation Studies (ITS) at three of its campuses. The ITS conducts research on various transportation issues and has been a key contractor for the Air Resources Board for expertise on GHG reduction strategies for the transportation sector.

The Governor's budget proposes to augment the ITS by \$5 million (Public Transportation Funds). This funding would be used to expand research at the three existing ITS campuses and to expand ITS to all of the UC's nine general campuses. It would also support the development of program proposals to federal and other agencies.

Programs intended for study by the ITS with funding from this augmentation include:

- Reducing vehicle travel and managing land use
- Lifecycle analysis tools for transportation and related activities
- Low-carbon travel using information technologies to improve transportation systems
- Alternative fuel vehicle technology and policy

Staff Comments. The UC's role in AB 32 (Núñez) implementation has predominately been tied to specific contracted activities overseen by the ARB in the areas of energy, transportation and land use. As a contractor to the ARB, funding and deliverables are managed by the ARB. This budget change proposal would expand the ITS by giving it independent portfolio to conduct ongoing research in transportation and land use that would be in addition to what is contracted by ARB.

Staff notes that AB 32 (Núñez) specifically gives regulatory authority to the ARB to orchestrate how California achieves GHG reduction targets. Additionally, the Legislature has placed focused funding at the ARB to coordinate statewide programs and reinforce achievement of concrete deliverables by other state agencies. Staff has concerns that by appropriating funding directly to the UC and not through the ARB, the Legislature will not have the proper ongoing assurances that over time this investment will provide maximum GHG benefit to the state. At the hearing, the UC should present to the Subcommittee what it plans to achieve with this funding request and how the proposed expansion of GHG related functions at the ITS will be directly integrated into the ARB's AB 32 implementation efforts.

STAFF RECOMMENDATION: None, this item is informational. The UC is within the policy jurisdiction of Assembly Budget Subcommittee 2

3360 – ENERGY COMMISSION/ 8660 – PUBLIC UTILITIES COMMISSION

ISSUE 1: CURRENT YEAR ACTIVITIES: CLIMATE ACTION TEAM ENERGY SUBGROUP

Climate Action Team Energy Subgroup. The Energy Commission (CEC) and the Public Utilities Commission (PUC) are responsible for making recommendations to the ARB on what GHG reduction strategies the state should take in the energy sector. Sector-wide, the CEC and PUC have recommended that the state use increased renewable electricity generation, energy efficiency measures, and a cap and trade system for existing energy generation in order to maximize GHG reduction targets.

Staff Comments. At the hearing, the CEC and PUC should present to the Subcommittee their work in the current year within the CAT Energy subgroup and the resulting recommendations that have been made to the ARB. Additionally, the PUC may want to discuss how the newly formed California Institute for Climate Solutions (that will provide \$60 million per year for 10 years for Climate Change related technological research) will be infused into strategies to reduce GHG emissions in the energy sector.

STAFF RECOMMENDATION: None needed, item is informational.

ISSUE 2: ENERGY COMMISSION - ENERGY EFFICIENCY BUDGET CHANGE PROPOSALS

The Governor's budget is requesting a total of \$4.44 million (ERPA) for building Energy Efficiency Standards Development and Appliance Energy Efficiency Standards Program expansion.

California Building Energy Efficiency Standards Development: \$3.5 million (ERPA) for 12 permanent positions and \$2 million in baseline contracting funds for development adoption and implementation of expanded California Building Energy Efficiency Standards in accelerated timeframes. This funding will allow for more expedited review of emerging green building technologies, designs, and construction practices in order to incorporate them into building standards. Additionally, this funding will allow the CEC to conduct an expanded consideration of the cost savings arising from greenhouse gas emission reductions in the cost effectiveness determinations of the Building Standards.

Accelerate and Expand the Appliance Efficiency Standards Program: \$911,000 (ERPA) for 5.5 permanent staff and \$200,000 in baseline contract funds for appliance standard development, compliance, and enforcement. This funding will be used to accelerate the incorporation of new technologies into the Appliance Efficiency Standards Program. Appliances and equipment to be addressed by the new standards include lighting, battery chargers, internal power supplies, consumer electronics, commercial food service equipment, water using equipment, heating and air conditioning equipment, as well as spa and pool pumps.

Staff Comments. Staff has no concerns with these proposals and recommends approvals as budgeted.

STAFF RECOMMENDATION: Approve as budgeted

1760 – DEPARTMENT OF GENERAL SERVICES

ISSUE 1: SUSTAINABILITY AND GREEN BUILDINGS

Last year DGS was provided with two BCP's in regards to their green building efforts. One was for approximately \$3 million for LEED certification of existing buildings. This funding is to be provided for 3 years to implement LEED certification. It is staff's understanding that DGS now hopes that with changes in the method of certification allowed by LEED (volume registration), this funding may allow certification of the entire state-owned building portfolio.

The second BCP provided 5 positions to develop best practices and train DGS staff on LEED issues and how to incorporate them into buildings. The intent was to have DGS staff trained prior to the end of the contract provided in the first BCP, thereby bringing their expertise in-house. DGS reports that 3 of these positions have been filled, development of the best practices is underway, and that their training plan still has them on track to have expertise internalized within the time frame specified.

Also as part of their green building efforts, DGS has benchmarked all state-owned buildings to enable tracking of improvements in energy efficiency and other operations. The Subcommittee may wish to ask staff to work with DGS to get information on current data collected and determine appropriate reporting requirements.

STAFF RECOMMENDATION: None, DGS is within the policy jurisdiction of Budget Subcommittee 4

0540 – SECRETARY FOR RESOURCES**0650 – OFFICE OF PLANNING AND RESEARCH**

ISSUE 1: GHG MITIGATION CEQA GUIDELINES

The Office of Planning and Research and the Resources Agency will be developing CEQA guidelines on how GHG emissions are considered and mitigated for in the CEQA Process. For this effort, the Resources Secretary is requesting a baseline augmentation of \$177,000 in 2008-09 and \$425,000 in 2009-10 and the office of Planning and Research is requesting \$537,000 (General Fund) for staff and scientific expertise contracting in order to begin implementation of the statutory mandates of Senate Bill 97 (Dutton).

SB 97 (Dutton) makes three principle requirements:

1. Directs the Office of Planning and Research to develop CEQA guidelines for how greenhouse gas (GHG) emissions are considered and mitigated for in the CEQA process.
2. Directs the Resources Agency to promulgate the guidelines through a rulemaking process.
3. Provides safe harbor for Bond funded projects during the period that the guidelines are being developed and approved.

Staff Comments. The Subcommittee heard and approved the proposal as it relates to the Secretary for Resources on March 12th.

STAFF RECOMMENDATION: None, this proposal was approved on March 12th

ISSUE 2: LAND MANAGEMENT AND GHG EMISSIONS

The Resources Agency's mission is to "restore, protect and manage the state's natural, historical and cultural resources for current and future generations using creative approaches and solutions based on science, collaboration and respect for all the communities and interests involved." Through its various boards, conservancies, and departments, the Agency is responsible for the stewardship of the State's extensive natural landscape property holdings. Facing potential threats from climate change and global warming, the proper protection and management of these resources could be managed to maximize their contribution to GHG reductions, and protection against future changes in climate.

At the hearing, the Resources Agency should present to the Subcommittee how it plans to provide Agency wide policy guidance on the issue of land management under challenges that climate change poses to our natural landscape.

STAFF RECOMMENDATION. None, item is informational

**3860 – DEPARTMENT OF WATER RESOURCES
3940 – STATE WATER RESOURCES CONTROL BOARD**

ISSUE 1: DEPARTMENT OF WATER RESOURCES: CLIMATE CHANGE WORKLOAD

In the Governor's budget, the Department of Water Resources is requesting \$21 million (Propositions 84) over five years to monitor the impact of climate change on the states water supply and implement mitigation, adaptation and management programs to reduce GHG emissions. Additionally, the Department plans on incorporating the results of these efforts into statewide bond funded infrastructure grant programs where possible.

- **Mitigation:** In the current year, DWR and the State Water Resources Control Board have been participating in the Water subgroup of the Climate Action team to develop strategies to reduce GHG emissions. In the budget year, the Department is requesting 5 additional positions to continue evaluating potential GHG emission reductions related to water.
- **Adaptation.** To respond to the potential adverse impacts that climate change could have on the states water supply and statewide infrastructure, the Department is proposing a total of 12 positions to develop adaptation strategies. Locally, the Department plans on using its IRWM grant program to incentivise local adaptation strategies for changes in water supply and increases in flood management needs. At a statewide level, the Department will be assessing statewide infrastructure and flood management planning programs and aligning them with climate change science.
- **Management.** The Department is requesting 7 positions to better manage the Department's water and energy programs with regards to climate change issues.

Staff Comments. At the hearing, the Department should be prepared to present to the Subcommittee what its current year activities related to climate change have been and how requested funds in the 2008-09 will be use to expand those programs.

Additionally, because DWR and the State Water Resources Control Board both have similar budget change proposals related to water the Department should present how those two efforts will be synchronized in the budget year as to avoid duplication and overlap.

STAFF RECOMMENDATION. Hold open until the Department's other Proposition 84 items are acted on.

ISSUE 2: STATE WATER RESOURCES CONTROL BOARD: CLIMATE CHANGE WORKLOAD

In the Governor's budget, the State Water Resources Control Board is requesting 3.8 PYs and \$428,000 (Waste Discharge Permit Fund) to assess and develop adaptation responses for water quality changes expected to occur due to global climate change and strategies to reduce GHG emissions resulting from water use, treatment, and control activities subject to the Water Boards regulatory authority.

The resources will be used to assess the impacts of global warming and climate change on California water, including changes in water quality and availability for water rights allocations, and the vulnerability of regulated facilities and programs. The Water Boards will formulate adaptation strategies and measures to address vulnerabilities.

The resources will also be used to identify and quantify GHG emissions resulting from activities performed in compliance with SWRCB regulations, programs, and policies, and formulate strategies and measures, including revisions to statutory, regulatory, and program polices, to reduce GHG emissions.

Staff Comments. DWR and the Water Board are both proposing increases in resources for similar statewide assessments of climate change impacts on California's water supply and water quality. At the hearing, the Board should be prepared to walk the Subcommittee through some of the potential mitigation and adaptation strategies that have begun to be developed in the CAT subgroup on water and how this BCP will extend the coordinated work product. Additionally, the Board should discuss how this BCP will be coordinated with DWR as to avoid programmatic overlap and duplication.

STAFF RECOMMENDATION: Approve as budgeted.

3540 – DEPARTMENT OF FORESTRY AND FIRE PROTECTION

ISSUE 1: CLIMATE CHANGE AND URBAN GREENING

In the Governor's budget, the Department of Forestry and Fire Protection is requesting in two proposals a total of \$87.5 million (Proposition 84) over a ten year program to fund a wide range of existing programs in urban forestry, reforestation, fire prevention and ecosystem health that will have GHG reduction impacts.

Climate Change Proposal. The Department is requesting \$4.4 million (Proposition 84) annually and 12.1 positions over a ten year period to: Evaluate climate change impacts on forests and the effectiveness of California forest strategies to mitigate GHG emissions; Increase the annual number of acres by 120 that are managed (tree planting, stand management, fuels reduction) by the Department to improve forest health; assessment of statewide genetic stocks of woodlands to insure that they are sufficiently diverse to protect them from threats posed by climate change; and staffing to provide additional coordination with the California Environmental Protection Agency and the Climate Action Team.

Urban Greening Local Assistance: The Department is requesting \$5.4 million (Proposition 84) for the second year of grants for the Department's Urban Forestry program to increase: urban forest resources; vegetative cover in cities; prevalence of native species of trees; and participation by local communities in the management of urban forest resources.

Staff Comments. While the proposals presented by the Department do potentially provide positive GHG reduction impacts to the state, staff has concerns that the funding mechanism proposed for their implementation is not appropriate. Together, both budget change proposal are requesting nearly the entirety of funds from Chapter 9 of Proposition 84 related to Urban Greening and Sustainable Communities. This section of Proposition 84 was written intentionally broad to promote progressive urban and ecological planning strategies to bring environmental solutions to our urban landscape. Legislative direction is required by the section for expenditure of funds and currently there is related legislation in both the Assembly and Senate.

Additionally, Proposition 84 states that not less than \$20 million shall be available for urban forestry projects pursuant to the California Urban Forestry Act, Chapter 2 (commencing with Section 4799.06) of Part 2.5 of Division 1. Currently, the Urban Forestry Act of 1978 does not include activities proposed in these proposals such as reforestation for fuel load reduction. In order to include these activities under urban forestry, the Department would need to submit legislation to amend the Urban Forestry Act to include these activities.

Staff recognizes the significant role that both wildland and urban forest management will play in the realization of AB 32 (Núñez) GHG reduction targets. However, as proposed by the Department these activities are funded from a section of Proposition 84 that the legislature has made clear needs legislation approved before implementation.

STAFF RECOMMENDATION: Approve the second year of Urban Forestry Grants on a one time basis but reject the Department's other Climate change proposals.

8570 –DEPARTMENT OF FOOD AND AGRICULTURE

ISSUE 1: CURRENT YEAR ACTIVITIES

2007-08 Budget. In the 2007-08 budget, the Department of Food and Agriculture was provided \$331,000 (Agricultural Fund) to establish and support 2.0 positions that will research and identify greenhouse gas reduction strategies such as carbon sequestration through crop management and dairy methane capture programs.

Staff Comments. Because of conflicting interpretations of statute, the Department felt that it did not have authority to use the Agricultural fund for the positions provided by the Legislature. As such, these positions have not been filled. To continue work on Agriculture related GHG reduction strategies, the Department used existing staff and additional resources provided by the Agricultural industry to support dairy methane capture and biogas energy related programs.

At the hearing, CDFA should present to the Subcommittee its current year act GHG related activities and detail in specifics where the Agricultural sector presents the best options GHG reduction and mitigations strategies.

Additionally, CDFA should present to the Subcommittee how the Agricultural sector anticipates that climate change will impact California agriculture and what actions are being taken to adapt to those potential impacts.

STAFF RECOMMENDATION. None needed